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AKROTIRI REGIMENT CELEBRATES FORTIETH RAF ANNIVERSARY

Nicosia CYPRUS MAIL in English 9 Jun 82 p 3

[Text]



The Royal Air Force Regiment which celebrates its 40th anniversary this year will be reviewed by the Queen at RAF Wittering, Cambridge this month. Number 34 Squadron RAF Regiment is based at Akrotiri where the formal celebrations took place on 29 May. Air Vice-Marshal Reed-Purvis, the Commandant General of the RAF Regiment, and other guests, saw the 34 Squadron Scorpion tracked combat vehicles on display.

An interesting side line is the origin of 34 Squadron's badge which features a red cross with a rampant lion above it. This represents 34 Squadron's association with the area of Kolossi, near Akrotiri, and the Squadron motto "Feu de Fer" may be translated as "Fire from Iron".

34 Squadron RAF Regiment was formed in 1951. The Squadron was moved to the Middle East, finally arriving at Cyprus in April 1956. Initially the Squadron was based at Nicosia where it guarded British installations. The unit moved to its new base at Akrotiri in 1960.

The Squadron is converting from a Regiment field squadron role to a light armoured role. Driver trained on armoured vehicles is now taking place within the SBA's.

CSO: 4600/578

DEFENSE MINISTER DISCUSSES MILITARY SATELLITES, HADES, WAR MATERIEL

Paris AVIATION MAGAZINE INTERNATIONAL in French 15-31 May 82 pp 26-29

[Interview with Minister of Defense Charles Hernu by Serge Brosselin: "Actions Intended To Hinder Us in Space by Destroying or Neutralizing Our Satellites Are Worrisome"; date and place not specified]

[Text] At a time when the 1977-82 military program is being completed and when the next budget is being drawn up, we questioned Minister of Defense Charles Hernu about certain issues relating to the future of conventional and nuclear forces. Regarding defense policy the doctrine calling for the use of tactical nuclear weapons, the FNS [strategic nuclear force], and the military applications of space, Charles Hernu makes some clarifications. Some of these, by virtue of their distinctive nature, will undoubtedly give rise to comments in the days to come.

[Question] One often hears it said that deterrence favors the weak rather than the powerful. Don't you consider that this concept of the equalizing power of the atom already implies that the continuing credibility of France's nuclear response capability is highly dependent on an eventual expansion of the French military space program?

[Answer] I note that you make the duration of the credibility of the French deterrent force dependent on France having military systems in space. I do not believe that the question can be raised in such simple terms because the deterrent force represents a whole, each of whose elements contributes to mutual enhancement but from which the absence of just one element should not lead to a total loss of credibility. I recall, furthermore, that the value of the French deterrent force has also been strengthened following the decisions taken recently by the President of the Republic: Three nuclear missile-launching submarines constantly at sea, construction of a seventh submarine of an entirely new generation, establishment of a new component focusing on mobile ground-to-ground strategic ballistic missiles, and development of the Hades missile slated to succeed the Pluton missile.

[Question] And how about the use of space?

[Answer] As regards the use of space itself, obviously, possession of telecommunications or observation satellites can contribute to our forces by improving their operational possibilities. One should not, however, deduce from this that their availability is a determining element, even imperative to the credibility of French deterrence, which continues and will continue to be based on an anticity strategy to a large extent independent of this type of capability.

The government thus examines very closely the opportunity for the development of space systems with military applications while obviously taking financial constraints into account. The necessary financial appropriations should not be made too much at the expense of the strength and thus the credibility of other weapons systems.

[Question] The American space shuttle and a similar system on which the Soviets are working prompt a radical rethinking of the conditions of strategic balance. The carrying capacity of the new space launchers and the possibilities of assembly of equipment in space now make it possible to envision in the intermediate term the placement into orbit of newly designed weapons (ammunition guided by active radar self-guidance system, powerful laser beams, and so on). One can assume that the minister of defense is working on the various parameters associated with this new equation. Is there a belief, for example, that the result may be a potential threat to our future space systems--SAMRO, Syracuse, and STAR?

[Answer] The military use of space in the context of your question seems to me to have two aspects: The placement into orbit of weapons capable of hitting our territory and the development of space systems slated to prevent us from using space, that is, from activating the observation or telecommunications satellites that we have just mentioned.

You are aware that the military use of space is limited by a 1967 treaty approved by the United Nations and which France has signed. This treaty involves "the principles governing the activities of states in the exploration and use of space beyond the atmosphere, including the moon and other celestial bodies." Article 4 prohibits the placement in orbit of bodies carrying nuclear weapons or any kind of weapons of mass destruction.

Even if a potential aggressor were not restrained from reneging on his commitments by strictly moral considerations, he would be stymied by the threat of the massive nuclear retaliation that we are in a position to apply should such a weapon as you mention be used against our territory. Its use would be a case of major aggression justifying the mobilization of our capabilities of strategic nuclear retaliation.

[Question] But the threat is nevertheless real in the long term, is it not?

[Answer] The question of measures aimed at prohibiting our use of space by the destruction or merely neutralization of our satellites is worrisome. Indeed, it would seem that such actions could now be contemplated, as the press has reported, with the famous "killer satellites" designed by the Soviets to destroy other satellites.

So the government is concerned with protecting our satellites against such attacks. Beginning with their design, the satellites must be "hardened" against the effect of enemy weapons systems and resist the various counter-measures that can be envisioned. At that level the only possibility for the adversary will then reside in what is known as the structural destruction of the material, that is, physical destruction by means of a very powerful laser. Such an attack will obviously be of a serious nature and will have to be considered as a particularly serious act disclosing the intentions that one may guess the aggressor to harbor. I can tell you that our satellites will be equipped with means making it possible to identify the type of attack and even the aggressor involved.

At any rate, it would be preferable for the right to use space to evolve in such a way that the antisatellite systems now being developed by the two superpowers are banned. The French delegation in the space committee of the United Nations is striving to create conditions for a limitation of such systems.

[Question] Can one consider that the development of the Hades missile program introduces a subtle nuance, not regarding the doctrine on employment of tactical nuclear weapons but rather as regards French defense policy for the European theater of operations? While the Pluton missile system allows intended uncertainties as to the scenarios in which this weapon would be used, one may also be prompted to believe that because of its performance the Hades missile raises another question: Would its development not have strictly political significance intended for our partners of the Atlantic alliance, notably the FRG? This question may indeed be raised if one considers that because of the flexibility of use of the air vehicle, the use of tactical nuclear weapons by the Tactical Air Force "seals" by itself all the problems raised by the deployment and improvement of ground-to-ground tactical nuclear weapons?

[Answer] The credibility of our deterrence implies that a potential adversary may in no case consider that our retaliatory action would not have the desired effectiveness or that we could forego using it. It is in this context that the concept of using tactical nuclear weaponry, whose role is to give the adversary a last warning before resorting to massive retaliation, to strategic weapons, enters into play.

But it is necessary that this final warning be clearly perceived by the adversary as a sign of our determined political resolve and of our capability to inflict sufficiently significant damage on him to deter him from pursuing his action. This mandates that the tactical nuclear weapons to be designed have sufficient military effectiveness under all circumstances.

[Question] That is?

[Answer] You undoubtedly feel that it is impossible to foresee all possible aspects of the development of a confrontation. It is thus important that our tactical nuclear weaponry be able to deliver the final warning in a very broad range of scenarios. The fact that France has available an airborne tactical nuclear weapon used by FATAF [tactical air force] and a ground-to-ground

tactical nuclear weapon is thus extremely significant because we thus have available greater flexibility in adapting to a given situation. The airborne tactical nuclear weapon is deployed against known airbases but can deal decisive blows to the adversary "in depth" on well-protected targets; deployment of the ground-to-ground tactical nuclear weapon is flexible, it is much harder for the adversary to attack and can make direct hits against the first line of the assailant's ground forces, while it can be used by the air force to make in-depth attacks in places where only the air force can intervene. It is thus a part of the credibility of our forces that we have land-based tactical nuclear weapons.

But you will notice that the deployment and improvement batteries of ground-to-ground tactical nuclear weapons raises problems. The government feels that it is important for the credibility of this nuclear component that it be designed with sufficient flexibility of use. The significant increase in range of the Hades vehicle compared to that of the Pluton meets this goal since it increases the possible scenarios for using ground-to-ground tactical nuclear weaponry.

[Question] There will soon be a decision on the enhanced radiation weapon. Should the French president be in favor of introducing this weapon in the arsenal of the country's nuclear capabilities, can one conclude therefrom that France considers today that even at the nuclear level there would only be one combat theater in Europe?

[Answer] In the context of our policy of deterrence, tactical nuclear weapons give the French president the possibility to address a final warning to an aggressor posing a threat against our territory. This final warning before the engagement of our strategic nuclear force, evidencing our resolve to defend our national territory "at any cost," must deter our adversary from pursuing his action. Now, the use of the tactical nuclear force at the most appropriate time may become touchy because of the presence of civilian populations near the forces of the aggressor.

Some parties therefore defend the thesis of using the enhanced radiation weapon. What are the reasons for such a position?

In the respect and as regards its effectiveness against our adversary, an enhanced radiation weapon on the order of 1 kiloton has the same effect against tanks as a fission weapon of some 15 kilotons. The warning is thus of the same magnitude as with the Pluton tactical nuclear weapon. Additionally, one finds that distances at which persons without protection are safe, about 3,000 meters for a 10-kiloton fission weapon, are reduced to approximately 1,500 meters for a "neutron" weapon, and even less distance for civilians inside their homes which offer good protection against radiation.

[Question] Could this lead to a different arrangement of the field forces?

[Answer] The enhanced radiation weapon could thus be as close as possible to the line of contact where one finds the heaviest concentration of armored vehicles and where they are easiest to locate, and makes it possible to have available possible firing zones that are much broader, the human restrictions being less.

But conversely there is the risk that because of this the neutron weapon may become a "battlefield weapon."

Accordingly, a decision on this type of weapon deserves careful consideration. Extensive research on the enhanced radiation weapon is in progress but no "green light" has yet been given for its production.

[Question] There is a general impression to the effect that the French Army has sophisticated defensive and offensive systems available but in insufficient quantity. This applies especially to the ground-to-air artillery batteries of the regiments integrated at the army corps level (the density of ground-to-air artillery involved in the defense of a French Army corps is substantially equivalent to that which the U.S. Army deploys for the defense of one division). In your eyes is this problem of equipment a priority issue for the immediate future?

[Answer] Antiaircraft defense of the field forces should insure the latter's freedom of action in the face of an air threat. As you know, it is provided not only by specialized units of the ground-to-air artillery placed for reasons of use at the army corps level but also by multiweapon units.

The criterion of "density of artillery," that you mention is not the only one to take into account. One must likewise consider: performance of the materiel; the complementarity of the materiel used (missiles and guns); and the mobility of the materiel.

A comparison with the resources of the U.S. Army based exclusively on the density of the ordnance now in service is therefore not pertinent. The quantity of materiel of a U.S. Army division is much more comparable to that of a French Army corps than to that of a French division.

[Question] Are the efforts being made in keeping with our needs?

[Answer] For about a decade now the French Army has been making a significant effort as concerns equipping our forces with antiaircraft defense. Ambitious research and development have been initiated. This has led to the production of high-performance equipment such as the Roland missiles. Their use could make it possible to increase our very low altitude defense capabilities five-fold and to extend them to medium altitude in a significant fashion.

Likewise, already now the antiaircraft combat capabilities of the multiweapon units have been considerably improved by putting into service 20-millimeter guns mounted on the turrets of armored vehicles hauled on a gun carriage or on a truck. Considering the large number of 12.7-millimeter machineguns mounted on vehicles, in the short run the French field forces will be bristling with weapons used for antiaircraft defense.

Beginning in 1986-87 our units will begin to be equipped with the SATCP [Very Short-Range Ground-to-Air Missiles]. This weapon, very effective against planes and helicopters, will come in two assembly versions: One of them, a portable version, will further increase the antiaircraft capabilities of the

units of all armed units, of the army corps; the other, the so-called autonomous model, which integrates on the same vehicle a surveillance capability and several missiles ready for firing, will complete the coverage of the Hawk and Roland missiles in the forward combat zone.

For the future I would like to mention the studies under way on the timely replacement and improvement the systems now in service. These studies take into account an air threat that is constantly changing both because of the number of aircraft involved and because of their capabilities.

[Question] Do you expect the eventual acquisition of an airborne warning system to be funded by several departments--the Ministry of Defense, certainly, but also the Matignon, the Quai d'Orsay, and even the 'Elysee.

[Answer] The idea of funding by several government departments was advanced by the Boeing Corporation in the United States in connection with the AWACS [Airborne Warning and Control System]. The American defense contractor emphasized the general interest in the system that can be used for the control of borders (against smuggling, illegal immigration), surveillance of rocket launchings (the space shuttle), and other purposes.

One cannot apply this concept directly to the French case because one must take into account budgetary procedures distinct to France. Indeed, each year the government prepares a finance bill that it submits to the parliament. Thus, it is the National Assembly which decides how spending will be allocated and on what physical resources.

Parliament thus decides on France's overall equipment program and the necessary credits are then included in the budget of the ministry responsible for supplying this equipment and insuring its final application. The financial contribution which is approved in this manner is thus not the doing of a particular ministry but, on the contrary, that of all the government ministries and thus of the nation.

This procedure naturally applies to the airborne detection system planned by France, and the necessary equipment credits will be included in my department's budget. There is no question but that at the time of the preparatory discussion of the finance bill, the possible applications of such a system for purposes other than strictly military will be taken into account.

[Question] How do you perceive the future of the prospective European combat aircraft? Which aircraft, which engine, what equipment do you envision? What is your opinion of the prototype aircraft which Dassault-Breguet and MBB [Messerschmitt-Bolkow-Blohm] plan to develop jointly?

[Answer] After a tripartite effort by the armed services, the general staffs, and industry during which the French partner was very active, it seemed premature to set technical specifications for a weapons system that should be put into service around 1995. The partners are agreed to pursue their research in parallel fashion up to 1983 and then exchange the appropriate data.

Faithful to a consistent policy, France must be ready to build the entire system by itself; it would involve a multipurpose aircraft which would be endowed with significant air-to-air capabilities. As far as France is concerned, it is open to all cooperation possibilities.

Considering the significant lag between the Mirage-2000 aircraft program and that of the prospective combat aircraft, it is absolutely essential to perfect the control of new technologies through experimental operations.

[Question] Which ones?

[Answer] Two have already been launched. They are, first, the M-88 engine built by SNECMA [National Aircraft Engine Design and Construction Company]. Of a high technological level, the M-88 engine will be able to power the future combat aircraft, the size and definitive thrust of the engine being adapted to an overall optimization of the aircraft, integrating all the aerodynamic improvements under study.

What is also involved is a high-performance radar system of the new generation using programmable digital systems with diversified capabilities and able to handle multiple targets as well as an associated air-to-air missile system.

An experimental aircraft program is under study in this context. It will have the same function of demonstration in the fields of aerodynamic integration, of structures and of certain systems.

On the basis of the lessons drawn from these various prototypes, it will then be possible to lay down the technical specifications for the aircraft of the year 2000.

The French AMD/BA [Avions Marcel-Dassault/Breguet Aviation] the West German MBB industrialists are having discussions about the experimental aircraft program. The government will take the outcome of these talks into account when it makes a decision on this program which should be within the next few months.

[Question] At what stage is the French-German antitank combat helicopter project? If the West German industrialists were to confirm their choice of the American optronics TADS-PNVS [Tactical Air Defense System-Passive Night Visions System] built by the Martin Marietta Corporation, would such a decision mean the end of the French-German program?

[Answer] The future of this project is first linked to a problem of financing, the German funding estimates being too low to make it possible to build the system with the approved specifications. On the French side choices are also to be made and there is also a need for a defense support helicopter. That is why the armed services have actively sought the best cost-effective compromise. The latest joint proposal presented at the close of 1981 seems to the French side to be very positive in this respect.

Talks are continuing among experts regarding other proposals and on the choice of a sighting system and night viewfinding system.

It is certain that a specific decision on the sequence of the projects will have to be taken during 1982.

As has been the case since the beginning, France will strive to find a solution preserving European and French interests at all levels.

As you know, the performance and night action capabilities of the HAC-PAH2 weapons system will have to be improved.

An extensive demonstration program in which French and German industrialists are taking part has been initiated to establish the possibility of realizing a cohesive European system with the "Hot" missile and its successor, in accordance with a policy of development of the equipment and armaments industry. Significant results (numerous night firings) have already been obtained.

The German services are being informed on all aspects of these efforts. However, they are interested in the American TADS-PNVS system which is already completed.

[Question] At what point are the discussions between Paris and Bonn?

[Answer] The French-German discussions on the important issue of spelling out the characteristics of the system continue. The French partner is striving to convince its German partner to become involved in a broad cooperation effort for the development of a European system with operational characteristics satisfactory to the general staffs, completely within the reach of an industry for which the system will represent a very significant stage.

If Germany were to retain the TADS-PNVS, two different versions would have to be developed by the weapons industry. Considering the time lag between the needs of the two countries, one would be very far from conditions of genuine cooperation and this would have an impact on costs beyond the additional expense and delays involved in producing a second version of the system.

It would then be necessary to find a formula making it possible to maintain the operational and industrial advantages expected from maximum sharing of products.

[Question] One cannot say so far that the future of the manned component of the strategic air force [FAS] has been clarified. Will Mirage-IV aircraft have a successor other than the Mirage-2000?

[Answer] The French strategic nuclear force today focuses on three components: The Strategic Ocean Force [FOS], the ballistic missiles located on the Albion plateau manned by the FAS, and the Mirage IV aircraft of the manned component of the FAS. For its part, the tactical nuclear force is made up of a ground based component represented by Pluton missiles, an air component consisting of Mirage III and Jaguar aircraft carrying tactical explosives, and a fleet air arm component involving the Super Etendard aircraft which also carry tactical bombs.

The program of modernization of tactical nuclear weapons which the French Government is pursuing includes especially the development of the ASMP [Intermediate-Range Air-to-Ground Missile], slated to enter into service in 1985. This missile is designed to replace the tactical bombs now in use and thus must be used to equip the air component of the tactical nuclear force. Moreover, there is also the question of replacing the planes of the tactical air force which are too old. That is why it was decided that the tactical air component will be focused around the Mirage-2000 aircraft which will carry the ASMP.

[Question] And how about the manned component of the strategic air force?

[Answer] The Mirage IV's of the strategic air force today carry nuclear bombs whose effectiveness and credibility will be significantly enhanced by the use of air-to-ground missiles with nuclear warheads. Some Mirage IV aircraft being likely to remain in service until the beginning of the next decade, it was thus decided to equip them with ASMP missiles as soon as these become operational.

The government has decided to build a weapons system based on mobile strategic ground-to-ground missiles, known as the SX, slated to enter into service at the beginning of the next decade so as to take over from the manned component of the strategic air force. This decision will in fact give a new aspect to the French deterrent force which would then have optimal effectiveness for the next decade considering our financial possibilities. Use of a manned component, which had made it possible in the 1960's to build up a deterrent force in very short order even before ballistic missiles were technically perfected, has been discarded, primarily for financial reasons. In contrast, the flexibility of use allowed by an aircraft is fully exploited with the manned components of the tactical nuclear force, and these manned aircraft will thus be continued with the entry into service of the Mirage-2000 in the near future.

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CSO: 3100/699

BRIEFS

NEW JETS FOR AIR FORCE--The government has decided the purchase of 100 modern fighter planes over the next ten years, to boost the strength of the Greek Air Force. Final decision was made yesterday, during a meeting of the National Defense Council, chaired by Premier and Defence Minister Andreas Papandreou. The Council also approved the purchase of all necessary supporting equipment to go with the planes, and authorized the Air Force General Staff to immediately open negotiations with prospective suppliers. The choice of planes will be between the U.S.-made F-16 and F-18, the French Mirage 2000, and the Tornado, which is a joint British-German-Italian production. It is the government's intention to have final contracts signed by the end of 1982. Delivery of the new planes will then start in stage, and ought to be completed by 1990. [Text] [Athens ATHENS NEWS in English 10 Jun 82 p 4]

CSO: 4600/577

BRIEFS

ARMENIAN ACCUSED OF PROPAGANDIZING--Istanbul, 29 Jun (AA)--Hayko Manuel Eldemir, 28, Armenian clergyman who teaches history at the Armenian theological school in al-Quds, (Jerusalem) appeared before a martial law court in Istanbul on charges of conducting racist and secessionist propaganda. Eldemir had been held at Yesilkoy airport on 10 October 1980 with large numbers of leaflets containing groundless anti-Turkish propaganda and a map of eastern Turkey designating certain Turkish provinces as an imaginary Armenia. The military prosecutor, in his indictment, said anti-Turkish provocation was fanned by Armenian fanatics, and referred to the 20 Turkish diplomats and other officials killed by Armenian terrorists abroad. The defendant claimed he was victim of a frame-up by some of his colleagues who were jealous of his rise in the church and denied the charges, saying he had not condoned the murder of Turkish officials. [Text] [TA291905 Ankara ANATOLIA in English 1610 GMT 29 Jun 82]

CSO: 4600/607

BRIEFS

CDF LOOKS TO FOREIGN COAL—One month following his appointment to head Charbonnages de France [French Coal Works], Mr Hug chose the 61st Bordeaux Fair for his first official function. Taking part in the day dedicated to energy, he mentioned some of the main features of the new policy of CdF, which he does not wish to "go backwards into the future," he declared, quoting Paul Valery. Borrowing from the wording of his policy statement, Mr Hug explained that a threefold action was necessary to develop coal consumption: informing the nation, reviving trade structures and preparing for the future by starting major research programs. Mr Hug cited the need to look for coal outside national borders "in order to gain better control of our supply lines, and to take advantage of the worldwide coal market. Such profits would enable us to finance our national production--in part, at least. We feel it is essential to invest in foreign mining projects and in the entire chain of commerce." He did not conceal his wish to have the competence of CdF "people" used to coordinate efforts and investments, which so far have been very scattered. He was referring to COGEMA [General Nuclear Materials Company] and to Elf-Aquitaine. [Text] [Paris LES ECHOS in French 21 May 82 p 18] 11936

CSO: 3100/716

BRIEFS

EXPORT SEMINAR IN LIMASSOL--A seminar for the "promotion of exports" will be held at the Amathus Hotel in Limassol, on Friday night, July 2, organised by the Cyprus Chamber of Commerce and Industry. The seminar will be addressed by the Minister of Commerce and Industry Mr G. Andreou and there will be a number of speeches by Chamber officials on ways and means to increase exports of Cyprus products to the international market. [Text] [Nicosia CYPRUS MAIL in English 11 Jun 82 p 1]

TRADE MISSION TO USSR--A trade mission, organised by the Cyprus Chamber of Commerce and Industry, will visit the Soviet Union between the 6th and 11th of September to strengthen and develop the bilateral trade relations. The Mission will have contacts with Government Representatives, the Soviet Chamber of Commerce and Industry and import and export organisations in the Soviet Union. Cyprus importers and exporters, interested in joining the trade mission, should register with the Cyprus Chamber of Commerce and Industry by the June 30. [Text] [Nicosia CYPRUS MAIL in English 12 Jun 82 p 3]

CSO: 4600/576

GOVERNMENT, INDUSTRY REACT TO PIPELINE EMBARGO DECISION

Consequences Noted

Hamburg DER SPIEGEL in German 28 Jun 82 p 15-18

[Unattributed article: "Reagan Gearing Up for Trade War"]

[Text] U.S. Secretary of State Alexander Haig has resigned. In Washington, the supporters of a hard line vis-a-vis the Soviets have carried the day. The Europeans are noting with some anger that President Ronald Reagan is about to risk a total trade war against the East Bloc. German firms are now looking for new ways to fulfill their contracts for the natural gas pipeline to the Soviet Union in spite of U.S. interference.

Last Friday afternoon Foreign Minister Hans-Dietrich Genscher and his former counterpart, Henry Kissinger, were still speculating on how much longer U.S. Secretary of State Alexander Haig would manage to hold on to his job. That evening, that particular question was answered.

When Genscher got word of Haig's resignation at the chancellor's summer party, he immediately established headquarters in a room in the chancellor's office. Following a number of telephone calls, he knew what had caused Haig to take this unexpected step.

"One of the reasons for Haig's decision," Genscher said while still at the party, was Ronald Reagan's decision to keep the Europeans from going through with their natural gas pipeline deal with the Soviet Union. The secretary of state had warned the President in vain not to adopt the unrelenting policy regarding trade with the East that he had now decided upon.

Without consulting the Allies, the hawks in the U.S. administration—Defense Secretary Caspar Weinberger, Security Adviser William Clark and Reagan's right-hand man Edwin Meese—had urged the President a week ago last Friday in the National Security Council to intensify the trade sanctions against the Soviet Union: U.S. subsidiaries in Europe and Japan as well as European licensees are now forbidden from supplying important technical equipment to the Soviet Union for the construction of the projected natural gas pipeline from Siberia to Western Europe. "All official denials notwithstanding," the WASHINGTON POST wrote, "it is clear to see that Reagan is gearing up for a total trade war against the Soviet Union and its satellites."

The first goal of the Americans is to delay construction, if they cannot prevent it altogether. But the war against the East Bloc is inevitably turning into a war against Western Europe as well.

The already suffering German AEG concern—which signed a contract with the Soviet state trading organization last year for the delivery of 47 compressors valued at DM 650 million—would be particularly hard hit. To make the deliveries on time, the AEG firm of Kanis in Essen must make use of American GE technology, which was firmly agreed upon.

Chancellor Schmidt learned of Reagan's newest exploits in his crusade against communism from news agency dispatches. In the first throes of anger, Schmidt authorized his finance minister, Manfred Lahnstein, to lodge an official complaint.

In parliament last Wednesday, Lahnstein called Reagan's move "legally questionable" and added that the President was violating the "principle of good faith in international relations." One day later, Schmidt concurred in the assessment of the 10 EEC foreign ministers who termed Washington's measures contrary to international law and threatened to lodge an EEC suit before the International Tribunal in The Hague.

It was an empty threat, since the International Tribunal will not permit groups of countries to appear as plaintiffs, but only individual governments.

Both the angry words of the Europeans and Schmidt's barely disguised ire are proof that U.S.-European relations are at a lower ebb than ever before just 3 weeks after the super-summit of the seven major Western industrial countries and the NATO display of harmony in Bonn.

For half a year, the Bonn government has apparently succumbed to illusions about the real policies of the U.S. administration. One of the chancellor's advisers said last week that Ronald Reagan remains true to his "Sunday school philosophy" which says that the communists can be brought to heel politically by applying economic pressure against them.

Over the past few months, the chancellor has tried in vain to dissuade Reagan from his idee fixe that economic pinpricks could make the superpower USSR follow good behavior in the foreign policy field. The Bonn government argued time and again that the Americans were overestimating the importance of East-West trade as regards the stability of the Soviet empire.

German emissaries tried to convince the Americans of the fact that any blow aimed at the pipeline deal would merely raise doubts on the part of the Soviets as to the reliability of international agreements.

After each such visit, the emissaries became more certain that the U.S., while not turning into ardent supporters of East-West trade, would at least not interfere in the pipeline deal just to keep the peace. Foreign Minister Hans-Dietrich Genscher, for example, was saying in March while in the American capital: "This question is regarded here as a thing of the past."

Following his meetings with Reagan at Versailles and in Bonn, Helmut Schmidt thought he had every reason to concur with this assessment of the situation. The seven major industrial nations had reached a compromise on granting limited credits to the Soviet Union and in view of that the chancellor thought he had gotten Reagan to agree not to interfere in the pipeline deal although the matter never really came up for discussion between the two.

Meanwhile, it is beginning to dawn on the Bonn government that it made a false estimate in weighting the importance of Reagan's various advisers. They relied too much on the supposition that Alexander Haig and his European experts in the State Department had more influence on the President than California hardliners Caspar Weinberger and William Clark.

Although the WALL STREET JOURNAL, the major American economic newspaper, had kind words for the President—saying "Mr Reagan finally decided to be himself again"—the reaction of West German politicians and economic leaders was one of disbelief.

"This approach poses a fundamental threat to the international division of labor," said AEG chief Heinz Duerr and Rolf Rodenstock, president of the Industrialists Association, could merely "shake his head about this unbelievable step." Steel trader Otto Wolff, who has been involved in East-West trade for decades, is afraid this will have major consequences for the "existing practice of granting licenses."

Johannes Rau, the minister president of North Rhine-Westphalia, in whose area 1,100 jobs of the affected AEG-Kanis turbine plant are threatened, said the Americans were being "disdainful."

Egon Overbeck, the head of Mannesmann, is convinced that "the American intervention will delay the construction of the pipeline." He should know: Mannesmann, along with Creusot-Loire of France, was entrusted with overall management of the investment aspects of the natural gas project.

Reagan's blow will also hit Mannesmann subsidiary Demag, the firm which was to supply compressors to the Soviets based on American licensing agreements.

Although Mannesmann will be able to "fill the order as per contract" of 600,000 tons of pipes and pipe conduit systems each in 1981 and 1982, according to Overbeck, the three turbine subcontractors will be hard hit. The orders in question were placed with John Brown, a Scottish firm; the Italian firm of Nuovo Pignone and with Kanis, the Essen subsidiary of already hard hit AEG.

These three firms were to have built 125 gas turbines valued at almost DM 2 billion by the middle of next year. 47 of them were to have saved the jobs at Kanis. But for the time being, this will not take place.

Lacking the rotors manufactured by GE plants in Schenectady, NY and Greenville, Fla, the already built turbines are worthless for all practical purposes. Two of the turbines which are to be installed at the pipeline terminal of Urengoi are ready for shipment at the Essen plant. At present, the suspension devices for the rotors are being built into several of the turbine casings.

"We relied on the Americans completely," says Horst Kerlen, AEG-Kanis managing director. The first idea the Germans came up with after Reagan's surprise move was that Alsthom-Atlantique, a French firm, could make use of the GE licenses without asking for permission, if Hans Fehr, the head of the AEG-Kanis workers council had his way. "We can show no consideration to anyone who simply tears our agreements to shreds," Fehr complains.

But the Reagan administration took care of that, too. Lionel Olmer, an under secretary in the Commerce Department, had already announced last Wednesday what the penalty for foreign firms would be, if they contravened the U.S. government order: they would be placed on a "blacklist" and would receive no American goods and no American know-how in the future.

One thing is certain even now. The deal will become more expensive both for the Soviets and for their suppliers. Only Mannesmann and Creusot-Loire, the general contractors, will come out all right. The two firms are to receive 6 percent of the DM 2.5 billion investment package for their general contracting services. They had shifted the possible risk of an embargo unto the sub-contractors.

Their contract with the Soviets contained a clause 'absolving them of all responsibility and the requirement to pay damages, if sub-contractors are unable to deliver and if alternate solutions cannot be found.'

Sub-contractor AEG already went through its crisis scenario immediately after the Reagan verdict was in. The conclusion reached was that the move was an annoyance but would not pose an obstacle to the gas pipeline in the end.

The AEG planners will have to sit down with the banks to talk about funding the project anew—not a very pleasant prospect for both sides in view of the electrical firm's money problems.

On the technical side, however, the Reagan embargo, it appears, will not be too hard to circumvent. On the one hand, British firms like Rolls-Royce or General Electric Company could produce the controversial turbines, if worse came to worst—although it would take a good deal longer. In case Reagan's long arm reaches as far as England, however, Heinz Duerr has set his sights on an unassailable partner—namely the Soviet Union itself.

The compressor stations in which the natural gas is compressed could be powered by Soviet steam turbines, for example, instead of the U.S. dependent gas turbines. The only drawback is that it would run into more money.

On the other hand, compressors installed in the proximity of Soviet cities could be powered by electrical turbines. Late last week, the most likely solution was one guaranteed to enrage Ronald Reagan. A Soviet research laboratory in Leningrad had spent the last few months hurriedly building a copy of the U.S. motors. And now, AEG-Kanis in Essen is to build the gas turbines as planned—but not based on American licenses but on Soviet licenses.

Industry Spokesman Comments

Hamburg DMR SPIEGEL in German 28 Jun 82 p 18

[Unattributed interview with Otto Wolff von Amerongen, president of the German Association for Industry and Commerce and chairman of the East Committee of German Industry: "Playing with Fire"]

[Text] [Question] Mr Wolff: After the Versailles economic summit, Chancellor Schmidt was pleased to think he had prevented an economic war against the East Bloc. By intensifying economic sanctions against the Soviet Union, has President Reagan declared war after all ?

[Answer] I would not go so far as that; but the American move has caused certain atmospheric disturbances without a doubt. In that sense, it is not a very pleasant followup to Versailles.

[Question] Doesn't tampering with existing agreements concluded by other nations and an East Bloc country constitute more than just atmospheric disturbances ?

[Answer] It is also a politically serious matter. For the first time, the U.S. government has ordered a U.S. licensor to take back licenses for a specific business deal—the natural gas pipeline deal—and for that matter not on American soil but affecting a foreign country.

[Question] What are the likely consequences ?

[Answer] I am afraid that this poses a threat to the existing practice of granting licenses beyond one's borders—not only with regard to East Europe. I consider licensing agreements to be a very sensible aspect of the international division of labor. But now, after the steps taken by the U.S. government, everyone will be asking: Should I or should I not take out licenses worldwide ? After all, some other country may get the idea tomorrow to say: I am not on good terms with this or that country and you, as the licensee, are hereby forbidden from making deliveries to certain countries.

[Question] Through commercial contacts, the FRG wants to build up common interests between East and West which can act as a connecting link even in a political ice age. Can such a plan be maintained in the face of U.S. opposition ?

[Answer] For East-West relations, commerce is not of such overriding importance as some members of the socialist-liberal coalition thought in the early seventies. But conversely this also means that the Americans are overestimating commerce as a lever designed to influence the Soviet Union.

[Question] Bonn politicians of all persuasions seem to have been in error when they kept thinking that the U.S. would let the pipeline deal go through. Were you wiser than they ?

[Answer] Not wiser, nor better informed. The uncertainty is based on the fact that the President has advisers who have different opinions.

[Question] Defense Secretary Weinberger has asked that Poland be officially declared bankrupt. Based on the powers of his office, can the President exert any influence on such a decision ?

[Answer] No, he does not have any such powers. But of course he can—and there was a danger of that happening at one time—request American banks that have also extended credits to Poland to initiate the process. If Poland, which has relatively large foreign debts, were to be declared formally bankrupt, that would have immediate consequences for the international financial system in my estimation.

[Question] In what way ?

[Answer] All those participating in the process would then be justified to put on another pair of glasses and take a good look at risks they are running in other countries as well. Argentina, for example, also is in a difficult position. In Poland, there are more European banks involved; but in other countries, American banks are heavily involved. Given these circumstances, one might be shooting oneself in one's own foot. In my view, it is in everyone's interest not to strain the very fragile network of international financial relations any more than it has already been strained. To declare a nation bankrupt, would be playing with fire.

9478
CSO: 3103/550

COMMENTATOR CRITICIZES BONN BUDGET AGREEMENT

DW021007 Bonn DIE WELT in German 2 Jul 82 p 1

[Commentary by Ahns-Juergen Mehnke: "No Breakthrough"]

[Text] The budget plan is, as you know, the nation's book of fate. This year it could have easily marked the coalition's fate. The wrestling which was going on for weeks--even if the chancellor now indicates that his silence was a tactical move--has led to it that the most important thing, namely confidence in those acting in the field of economy, has been suffering even more.

If a real breakthrough were achieved in the direction of budget consolidation, if in these economically insecure times further tax and revenue increases were abandoned, you could certainly say that such an operation needs time. But this one? The things which are now on the table have been discussed for a long time without a decision being made. Nobody knows where the great FDP change was left. With a DM5 hospital contribution you are in, one could say.

Granted, the effort to reduce the increase of expenses to 2 percent, indicates the intention not to let the share of the state increase any further. This is praiseworthy although there is no confidence that this direction will not be changed again, as has been experienced in past years.

The net credit demonstrates how you can juggle with figures, a problem which the FDP made a credibility matter in the fall. There is talk of reductions again. The current 1983 plan is indeed below the supplementary budget for this year. Originally, however, DM2 billion less were planned for 1982 as compared with the 1983 planning. The general economic risks are certainly not smaller than a year ago.

That makes you fear that corrections will be made again, and that will be again linked with some back and forth and clamor which will destroy the confidence. And then the coalition will be at stake again. So everything will remain as insecure as it was.

CSO: 3103/556

GOVERNMENT INTRODUCES NONEXPANSIONARY BUDGET BILL

Helsinki HELSINGIN SANOMAT in Finnish 5 Jun 82 p 25

[Article: "Tight Budget Forecasts 7-Percent Inflation"]

[Text] Next year's budget being presently compiled in the Finance Ministry will be tight. The budget will not be affected by this year's economic recovery program, but in this sense it can be characterized as neutral, states Budget Chief Juhani Korpela.

For the purpose of funding the budget the state will have to borrow approximately 11 billion markkas, which is 1 billion more than this year. It is intended that payments will be increased by only 5 percent or less than the 7-percent inflation forecast used in compiling the budget. Local governments will also be given the same directive. Finance Minister Ahti Pekkala (Center Party) urges local governments to compile their own budgets in such a way that the tax unit will not be increased from this year.

According to Pekkala the intent is to make adjustments in taxation for inflation in accordance with normal practice in past years.

Budget Chief Korpela estimated that the level of unemployment will increase to 7 percent next year with the estimated economic growth of 2--3 percent. This will mean nearly 200,000 unemployed. Korpela predicts that the budget policy will be able to improve employment by approximately 20,000 new jobs. Half of these jobs would be the result of direct employment measures and half would be created as the result of economic growth.

Officials of the Finance Ministry are presently using a red pen in going through the ministry's budget for next year. According to Korpela there is still room to eliminate 5 billion markkas.

According to the calculations of the Finance Ministry a 2-percent increase in expenditures after debt management costs will not leave any room for growth in other expenditures next year and even in the following year it will only be 0.2 percent. In Korpela's opinion expenditures already decided upon should be trimmed down in order to create the necessary funding for finance policy expenditures.

According to Korpela we are already reaching the upper limits this year with respect to funding the budget with loans. No more money can be obtained from abroad under reasonable conditions and the domestic loan markets have been exhausted.

"It would be a mistake now if a reasonable economic policy were to fail because expenditures cannot be kept in line. Whether the income basis of the budget is dimensioned in accordance with the goal to slow down inflation depends on the success achieved in trimming down the budget," states Korpela.

The increase in expenditures for the current year's budget was originally 2 percent. However, new decisions have increased expenditures by 6--7 percent. The increases were caused by various economic recovery measures, among other things.

Pekkala Will Bury Sales Tax

In the opinion of Finance Minister Ahti Pekkala compensation for the estimated tax by a system based on business income can be buried because of the burden on commerce and industry.

In the opinion of Pekkala, who spoke in Maarianhamina on Friday, the local estimated tax can be reformed. According to Pekkala the inequities caused to small entrepreneurs should be clarified and the estimated tax procedures should be reformed.

10576

CSO: 3107/137

AEROSPATIALE, JEUMONT-SCHNEIDER SIGN TECHNOLOGY ACCORD

Paris LES ECHOS in French 21 May 82 p 6

[Article by Jean Pellandini]

[Text] A cooperation agreement has just been signed between Aerospatiale and the Jeumont-Schneider company for the application of plasma torches in various industrial areas. The terms of that agreement give Jeumont-Schneider a license to make use of the technologies developed by Aerospatiale.

Plasma is the name given to a flux of gas heated to a high temperature and which therefore has acquired some new characteristics. As a matter of fact, around 2,000°C, molecules break up into atoms, and these in turn lose some of their electrons at 3,000 or 3,500°C.

Thus is produced what is known as a "flux of ionized gases" or, more commonly, "plasma." This is the state of matter that satellites and nose cones of strategic rockets come across when they return into the dense layers of the atmosphere.

The agreement just signed may make it possible to apply plasma technology in a wide range of fields: in the iron and steel industry (gas heating in blast-furnaces), in metallurgy (preparation of metals or alloys), in surface processing, in the field of chemical synthesis, or to effect thermal drillings.

In fact, plasmas are a means of conveying a major energy flux, while having very good electrical conductivity.

Cooperation between Aerospatiale and Jeumont-Schneider results from the fact that plasmas are generally produced through the use of very powerful electric arcs, which therefore complements the range of Jeumont-Schneider's electrical applications. For Aerospatiale's division of ballistic and space systems, this is a new and major step in its policy of enhancing its advanced technologies.

Previous steps involved magnetic bearings, kinetic wheels for energy storage and such composite materials as carbon-carbon compounds. In the latter area, agreements have already been signed with the French Petroleum Institute (IFP) for making drilling pipes out of composite materials, and, more

recently, the framework agreement signed with Regie Renault should be mentioned (see LES ECHOS of 2 February 1982).

All these technologies, then, represent "fallout" from France's policy regarding rockets and space. They may represent major advantages for the industrial future of our nation.

11936

CSO: 3100/716

PAPER EXPRESSES CONCERN OVER DECLINING FISH CATCH, GNP

Reykjavik MORGUNBLADID in Icelandic 3 Jun 82 p 24

[Editorial: Policy of Buying Power Urged]

[Text] Things are looking bad for the Icelandic national economy. The marine products industry, which grew approximately 15 percent in 1979 and 10.5 percent in 1980, increased only 1.5 percent last year. The trend is even worse this year. The percentage of cod, a valuable resource, is smaller relative to the entire catch. Capelin fisheries will probably amount to as little as nothing, at least in the first half of the year.

Our trade opportunities abroad have been worsening the last few years, and improvements are not foreseeable.

Our gross national product [GNP], one thing which is actually changing in our economy, has declined 2 percent per person in 1982, according to the National Economic Forecast.

The GNP, which establishes the limits for our salary system, both as individuals and as a nation, is determined by two things: production of resources within our national economy and our trade opportunities abroad. If we work out things by means of agreements between participants in the labor market, using that framework as a basis--that is, the framework of relevant economic facts--the result is a krona with less buying power, just as experience has shown us. Unfortunately, we do not learn much from experience. Higher salaries turn into higher prices, so to speak, at the moment they go into effect. We are left with an increasing inflation rate and a weakened employment situation relative to the nations we compete with.

With things as they are now, all classes of society have to tread carefully as they attempt to divide up the national income. It seems a bit strange that a total union of all salaried workers would act more passionately today than, for instance, in 1980, when negotiations went on for 10 months without any actions worth talking about on their part. There has often been a need, and now there is an urgent necessity, to keep to that road in our nation's economic and social system, so that we might be able to depend on the foundations of our economic security and our national economic independence by means of careful action, concern and foresight.

The standard of living has truly declined during the term of leftist government in the course of the last 4 years. Increased taxation has had a large role to play in this. With situations as they are, it is obvious that our nation's living standards would be improved if we cut back taxation and set limits on government spending.

It also has been the duty of the government, which it has neglected the last few years, to promote big industry and energy production in order to shore up the standard of living in our country, as well as reinforcing the fisheries and agricultural production. Irresponsibility in these matters has slowed down improvements in the living standard in our country for some years.

What ought to be done first and foremost is to support and reinforce resource production in our national economy, which will generate real living standard improvements. Instead of a policy which makes the krona smaller we should have a policy of buying power. The Socialist League of Iceland [ASI] should also promote a salary policy which determines what salary period should be used among working groups within the negotiational framework. The Service Employees Union, on the other hand, should be willing to make corrective suggestions and to spot contradictions within the framework of economic data. But first and last, we ought to let wisdom be our watchword--and accurate measurements of our nation's total economic resources.

9584

CSO: 3000/38

PAPER EXAMINES PROBLEM OF BUSINESS BANKRUPTCIES, LOSSES

Reykjavik MORGUNBLADID in Icelandic 29 May 82 p 24

[Editorial: "Clouds in the Sky"]

[Text] There are some frightening signs in the heavens relative to Icelandic economic and labor issues.

The foundation of our national economy, the fishing industry, is experiencing increasing losses, involving both the catch and fish processing. It has been estimated that between 10 and 20 trawlers could be shut down in the next few days because of payment difficulties. According to statistics from the LIU [Union of Icelandic Fishermen], the average trawler is kept operating at a 30 to 40 percent loss compared with current operation figures. Even if the price of fish goes up 10.33 percent, similar to the rise in basic salaries at the end of this month, that will hardly cover the increases in costs which have occurred and which are now frequent, and will not make up much for the loss in production.

In the data released by the SH [Union of Quick-freezing Plants] the day before yesterday, it says, among other things, that fish-freezing plant production is currently in such straits that "it is impossible to continue production at current rates. In order to avoid necessary shutdowns in the operation of the freezing plants, which would result in unemployment and declining living standards, we have to greatly cut down the incredible inflation which has been raging here over the past few years."

The newest inflation goal of the government--a 35 percent inflation rate from the beginning to the end of 1982, with a 30 percent rate in the last part of the year--has already failed. The rates for salary increases so far this year have risen to approximately 30 percent higher than the government intended. Asmundur Stefansson, president of the Socialist League of Iceland [ASI], has said, among other things, that "this rapid rate of inflation is really something to worry about. The inflation rate has now gone up 50 to 60 percent, depending on whether we calculate in the increased down payments or not; we should have chosen lower price improvements and fewer price increases..."

This pricing development throws off production and weakens the competition of Icelandic products relative to those of other nations. It also has undermined the employment security that we have continued to expect, despite everything, as time has gone on.

Along with this negative development in the economic and employment sector, our nation's balance of trade is getting worse along with our national income for 1982--which has truly changed, and is heading for a 2 percent decline for the first time in many years.

It does not improve matters, either, that we seem to be heading for some serious labor disputes, according to all indications. Unease about salary has been a sensitive matter in the health care programs for some time now. Construction workers have prepared for a short-term strike. A 72-man committee at ASI approved unanimously, after a lively discussion, to encourage the general working population to strike this coming June 10 and 11, and to strike in a nontimebound general strike beginning on June 18. The myth concerning the freedom to work and steadiness in the employment market during the People's Alliance's term in power has been proven wrong so often and so definitively that it can be called nothing but nonsense. Unfortunately, it is far from true that it would promote good feelings if we examined the Icelandic labor market too closely these days--and there is worse to come if it keeps on the way it is going.

What has happened to prices is most destructive to production and employment security in our country. The government goal of the same inflation rate here as in neighboring countries during 1982 is already buried under all the mountains of broken promises. There seems to be no agreement in the halls of government as to the necessary procedures in this case. The Progressive Party, to be sure, demands action, but then does not follow up its demands with deeds. The People's Alliance, on the other hand, seems to aim openeyed at increased inflation and more problems--saying that such things will serve political opinion.

At the same time, the People's Alliance has worked hard against definite anti-inflation measures, and decreased improving standards of living in our country for some years by hindering big industry and energy development--and weakening the operational situation of the related employment sectors. The roots of these problems which are besetting us can be found in no small degree in the political influences of the People's Alliance on our society.

9584

CSO: 3000/38

BRIEFS

BANK CURRENCY RESERVES FALL--There are two main reasons for the poor position of the trade banks with the Currency Bank. On the one hand, it is the decrease in savings of all kinds since last September, and on the other hand, a large increase in loans since May of last year which has caused this situation, according to one of the officials of the trade banks in an interview with MORGUNBLADID yesterday. As has already been reported in MORGUNBLADID, the debts of the trade banks to the Currency Bank now amount to approximately 500 million kronur, which is very unusual at this time of year. MORGUNBLADID's informant said that one result of diminishing savings would be a steeply decreasing exchange rate. The last few months there has been a huge loss in currency trade; the balance of trade has been very poor and, in addition, relatively little has come in from foreign loans. This has an effect on the savings situation and also, in fact, on the loan situation. The man who spoke with MORGUNBLADID said that economic conditions abroad had a significant effect on the current bank situation. As most people probably know, there has been no exportation of capelin products, but it seems as though people are not yet ready to realize this. [Text] [Reykjavik MORGUNBLADID in Icelandic 3 Jun 82 p 2] 9584

CSO: 3111/38

LATEST STATISTICS CONFIRM ECONOMY CONTINUES TO STAGNATE

Lisbon O JORNAL in Portuguese 28 May 82 pp VI-VIII

[Article by Daniel Amaral: "Portuguese Economic Situation Points to 'Stagflation']

[Text] Another issue of the quarterly bulletin of the Bank of Portugal was published recently in May 1982 with data going back to December 1981 and containing items of information reported during the third quarter of that year. Many things have changed since then because after all 8 months have passed since the period of time covered in that document; in some cases, the information was reported separately but the bulletin is still of great interest as usual because of the compilation and presentation of information available on that date, marking, as we know, the transition from the preceding to the current administration, of course still within AD [Democratic Alliance].

The Portuguese economic situation during the third quarter of 1981 was characterized by five dominant features, thus confirming the trend of the two earlier quarters: (1) output in overall terms stagnated and in some cases even declined; (2) the domestic demand was up, in relative terms, in contrast to the declining foreign demand; (3) there was a rather serious drop in exports, with all of its repercussions on the balance of trade; (4) next we had the inevitable deterioration in the balance of current transactions as a consequence not only of an unfavorable foreign trade situation but also due to the unfavorable development of earnings from tourism and remittances from emigrants; and, finally, (5) inflation was accelerated as a first step in an attack on wages and various social benefits.

Various causes were combined to bring this about; some of them were domestic while others were foreign; some were avoidable, others were not. Rather modestly, as is its habit, the report "ignores" the inability of men and the failings of policies in order--as we continue the reading of the report presented by the administration--to come up with an apology for the drought and the international crisis. The stagnation of production is explained by the "rainfall conditions" in agriculture and by the "depressive effects of the foreign demand decline" on the various industrial sectors; the decline in

exports resulted from the "generalized recession" which continues to manifest itself in the OECD countries, especially in the European economies; the rise in imports was greatly influenced by the "consequences of the drought" in the energy field; etc. And so we might ask: Is that all?!

This is not the place for an in-depth analysis of the situation. But it is worth the trouble, point by point, to look at each of these aspects in somewhat greater detail.

Output Stagnation

As we said before, output in general terms stagnated fundamentally as a result of an extremely bad agricultural year and a bad industrial year.

According to the latest available estimates, agricultural crop output declined severely during the 1981 harvest (down 29.7 percent). One can say furthermore that all of the crops are in an unfavorable situation although we must particularly emphasize here because of their importance the decline in cereal crop production (down 25.3 percent) and wine production (down 38.8 percent). The consequences of the year's poor rainfall, leading to major losses in soil productivity, would appear to be behind this situation.

Livestock production did show an improvement, although a rather light one, compared to the preceding year (up 0.8 percent) after a reasonable development in the output of eggs and dairy products; but agricultural output as a whole nevertheless turned out largely negative, declining 9.5 percent as against 2.2 percent during the preceding year (Table 1).

As for industrial output--comparing here the first nine months of 1981 to the same period of time in 1980--it was characterized by virtual stagnation since its growth did not go beyond a modest 0.6 percent (Graph I). Between December 1980 and September 1981, the rate of change was negative (down 0.1 percent). According to the report, the poor situation regarding industrial output levels "is due to the very unfavorable development recorded in the foreign demand (...) as well as the high level of 'stocks' accumulated during the prior year" since the domestic market kept expanding. The unfavorable development of domestic costs as compared to foreign costs also possibly constituted an aspect of "discouragement" for production.

Looking at the statistics for this industrial output, up to September 1981 (Table 2), we can see that the major declines are to be found in textiles as well as in lumber and cork (light industry) and in the chemical, metallurgical, and basic as well as metal products industries (heavy industries). Transportation equipment nevertheless went up to the extent of 1.09 percent.

The elements of information available as to the degree of production capacity utilization in the processing industries indicate a decline by 1. during the third quarter of 1981 as compared to the same third quarter the year before although there is an increase by 1. compared to the second quarter. This is exclusively due to the Goods producing industries.

Looking at the fishing industry, we seem to have a slight decline in the total catch volume (down 1.3 percent during the first half of 1981). Finally, electric energy production from waterpower was, as would be expected, profoundly affected by the unfavorable rainfall conditions characterizing the period of time we are analyzing here. Consequently, it was necessary to resort to greater imports of electric power and the output of thermoelectric power plants in spite of the fact that consumption had virtually stagnated.

Domestic Demand Up

In spite of output stagnation, the domestic demand seems to have grown, sustained by budget and monetary policies. This dynamism was particularly expressed by the purchase of durable consumer goods, partly resulting from the increase in inflationary expectations, as well as investment in equipment or in homes. In the case of equipment, the report emphasizes, "we are dealing with expenditures involving investments decided upon at the end of 1979 and during the first half of 1980, investments which are only now being carried out due to the long lags which normally are necessary to have a change in the stock be expressed in the form of actual investments."

Naturally, this expansion in the domestic market along with the high imported component plus stagnation in production and the decline in exports should have and actually did cause a substantial deterioration in the balance of trade and in the balance of payments.

But let us look at each of the components of the demand.

Private consumption expanded significantly even in real terms, fundamentally for two reasons: On the one hand, due to the acceleration in the output available during the second half of 1980 which was also reflected during the following year; on the other hand, due to the public's expectations as to the development of inflation which caused people to purchase durable consumer goods earlier than they had intended. All available indicators--scant as they are--generally point in that direction.

Looking at public consumption likewise, the information elements available are insufficient for a correct analysis. But it is admitted that it did go up 4-5 percent in real terms.

Investment is a component of the domestic demand which is always important. The available indicators in general point to the fact that investments went up in real terms during the three first quarters although a decline is admitted during the final part of the year. In fact, from January to August 1981, the total loans extended to individuals for housing grew at the same rate of about 76 percent whereas, during the same period of time the year before, the rate was 52 percent. On the other hand, the growing trend in sales of commercial vehicles continued and investments in the form of construction and public works developed positively although at a slower rhythm than in 1980. Sales of construction industry materials, particularly cement and steel, suggest precisely the same, in other words, there has been a slowdown here (Graph 2).

The report finally notes that the level of inventories, according to economic surveys in commerce and industry, rose during the period we are studying here, although the qualitative nature of this information does not enable us to come up with any final conclusions on that score (Graph 3).

Export Decline

Parallel to output stagnation and the rise in the domestic demand, the period we are analyzing here however revealed a major drop in exports with the inevitable consequences on the country's balance of trade.

Between January and September 1980, exports came to 170 million contos, going up to 182 million contos during the same period of time thereafter, that is, they went up 6.8 percent. In terms of volume, however, the rate of change turns out negative and somewhat surprising because of its dimension (down 7.9 percent). More recent statistics confirm this really preoccupying situation regarding the country's capacity to sell products abroad; expressed in dollars, Portugal's exports came to 4.1 billion throughout the year as against 4.6 billion in 1980, giving us a negative variation of 10.3 percent. This, we repeat, is given in dollars; when expressed in terms of volume, the decline was 18-19 percent. There has never been such a decline before.

The reasons given for this "debacle" are well known: Almost all of them are rooted in the worldwide crisis which caused a certain decline in imports in practically all countries. By way of example, we might mention the 7.3-percent drop during the first half in the volumes imported by EEC where 53 percent of Portugal's exports are shipped. The study however reveals another cause which lately has been very much in vogue, in connection with pressure to devalue the escudo: "The decline in the foreign competitiveness of Portuguese industry which is pointed up by the deterioration in the CTUP (labor cost per unit produced) due to the rise in domestic production costs which it was impossible to compensate for through the exchange policy."

We do not doubt that the CTUP deteriorated a little bit during this phase but even so we see no reason to change the opinion expressed here earlier to the effect that the lack of competitiveness on the part of the country's industry is not due to prices but to other reasons: The relative prices of Portuguese products, as we see it, continue to be very low. Somehow, our exchange policy wound up being applied in the sense suggested here, whereas creeping devaluation rose from 0.5 percent to 0.75 percent per month.

Products in which the decline in exports were felt most were chemical products (down 22 percent), farm and food products (down 11.4 percent) and lumber and cork products (down 10.4 percent).

But, to tell the truth, the disaster was total. During the period of time considered here, only leather and shoes went up reasonably well (up 5.4 percent).

Since imports remained practically stationary (up 0.6 percent), the terms of trade naturally deteriorated even more: From January to September 1980, compared to the same period of time the year before, they dropped 6-7 percent (Graph 4).

Deterioration in Current Transactions Balance

As we said before, the most up-to-date statistics on Portugal's foreign trade are already known although in a provisional fashion; in other words, they are more up-to-date than those disclosed by the Bank of Portugal.

According to the most recent information, exports during the year just ended came to \$4.153 million (down 10.3 percent compared to 1980) and imports came to \$9.798 [billion] (up 3.2 percent compared to 1980); this shows a trade deficit of \$5.645 million or about 325 million contos. Looking at imports in terms of FOB values, as they are shown in the balance of payments, the deficit appears slightly smaller, that is, 290 million contos, although it is still the biggest ever.

But the current transactions balance however includes other components among which we must single out tourism and remittances from emigrants.

As far as tourism is concerned, the balance in terms of dollars shows a rather noticeable drop compared to the same period of time [the year before] (down 10 percent), recording declines both in receipts (89 million) and in expenditures. It must be reported, however, that "the analysis of tourist flow, based on the dollar evaluation, brings out some distortions having to do with the performance of that currency and the geographic structure of Portugal's tourism. This is because about 90 percent of the incoming tourists and two-thirds of the pertinent receipts come from the European countries of the OECD whose currencies in general are being depreciated heavily in relation to the dollar.

As for remittances from emigrants, the provisional statistics available here show that they came to \$2 181 million during the first 9 months of 1981, corresponding to a drop of 2.7 percent as against an increase of 19.7 percent during the same period prior to this one. In spite of an element of distortion similar to what we had in the case of tourism, we are thus seeing here a deterioration in this traditional means of covering the foreign goods and services deficit. Portuguese government officials cannot ignore this phenomenon since it is admitted that, with emigration having practically come to a halt, the pertinent remittances will drop to figures close to zero within about 20 years.

With things going as badly as all this, the current transactions balance wound up with a frightening deficit in 1981: About \$2.7 billion, almost 200 million contos at the current rate of exchange, more than twice the government's estimates! As a result of this deficit, the Portuguese public and private foreign debt rose from \$7.7 billion in December 1980 to \$10.4 billion in December 1981 and certainly more than \$11 billion at this time. This figure is indeed a matter of concern and comes to more than 50 percent

of the gross domestic product and exceeded the value of Portugal's reserves in gold and foreign exchange in the Bank of Portugal. And, as if that were not enough, the due dates on these loans tend to come ever closer; looking at the debt as of 30 September, 32 percent were due on a short-term basis, as against only 25 percent at the end of 1980 (Table 3). Right now, this short-term due-date situation should be kept at about one-third.

Unemployment and the Wage-Price Spiral

Again looking at the study we are analyzing, the development of the employment situation during the period of January-September looks rather difficult since we have no information available after the first half of 1981 that could be used as a convenient basis. But, judging by the Permanent Employment Survey (INE [National Statistics Institute]), the unemployment rate during the first half of the year went up 1.2 percentage points compared to the same period the year before and it is now at about 9 percent (Graph 5). This performance is basically due to the increase in female unemployment (71.8 percent of the total).

As to the development of wages, "It seems that we can conclude from the available information that, in the processing industry, the rise in standard wages during the period analyzed was slowed down by almost 6 percentage points although it is still greater than the consumer price rise during the same period of time." We have no information from September onward but it seems that the situation deteriorated further.

The consumer price index is one of the few indicators whose development is reported relatively quickly. The rate of inflation in 1981 is rather well known; it was 20 percent when measured by the average of the indicators for the last 12 months compared to the immediately prior 12 months; and it was 25 percent when measured by the index of December 1980 to December 1981. During the current year--contrary to what has been admitted--this inflation rate did not slow down, on the contrary, although we can expect that there will be a certain slow down over the next several months.

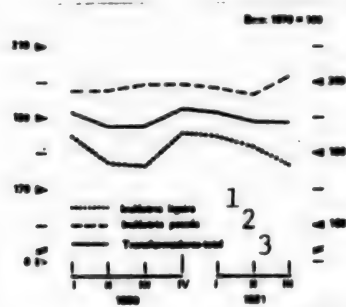
Finally, this last bulletin of the Bank of Portugal does not really bring anything new but does have the merit of confirming one thing that has been suspected for a long time: In economic-financial terms, the year 1981 was the worst year since April. The environment came to feature recession and inflation, that is to say, "stagflation."

With the inauguration of the current administration, which has little to do with the results described here, some changes were introduced in the economic policy pursued until now. Essentially, budget expenditures were limited, the escudo devaluation rate was increased, credit was heavily restricted, and wages were held down even more.

What is the overall result of all this? It is still too early to express an accurate opinion. But it must be said that frustration has never been as great as it is today in practically all areas, both for workers and for entrepreneurs. Is it worth going on like this?

FIGURE APPENDIX

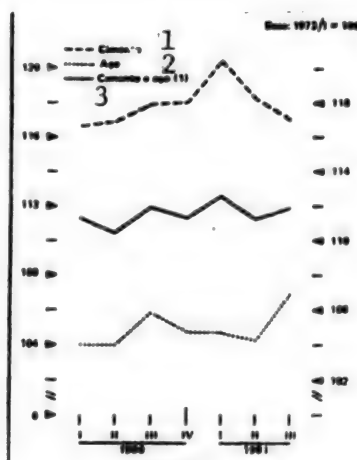
Graph 1. Industrial Output
Gross, Season-Corrected Indexes (1)



(1) The seasonal correction was performed by the IACEP, with the compilation prepared by the Bank of Portugal on the basis of the weighting factors published by the INE.

Key: 1-- light industry. 2--heavy industry; 3 -- processing industry, total.

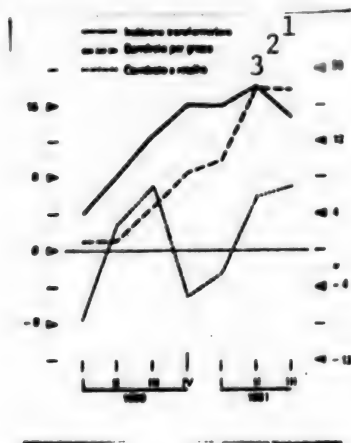
Graph 2. Cement and Steel Sales
Adjusted, Season-Corrected Index



(1) Index prepared by the Bank of Portugal in accordance with the makeup methodology published by the CEP in CONJUNTURA ECONOMICA, No 38.

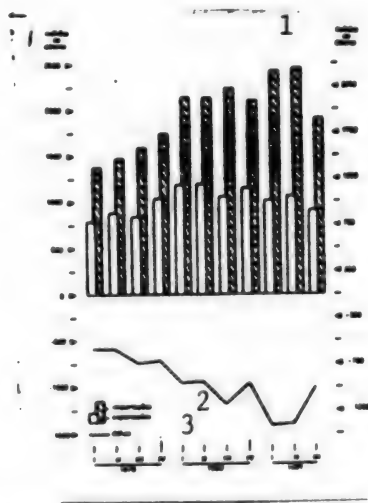
Key: 1--Cement; 2--Steel; 3--Cement and steel (1).

Graph 3. Level of Inventories
Extreme Responses in Percentages, Corrected for Seasons



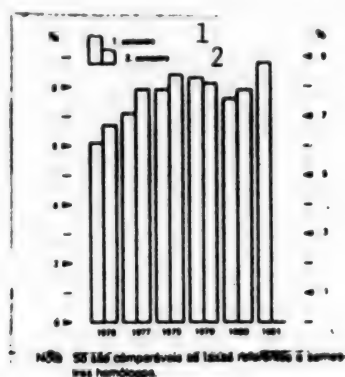
Key: 1--Processing industry; 2--Wholesale correction; 3--Retail correction.

Graph 4. Development of Exports, Imports (FOB), and Trade Deficit



Key: 1--Millions of dollars; 2--Imports; 3--Exports [remaining items illegible in photostat].

Graph 5. Unemployment Rates



Key: 1--1st half; 2--2nd half. Note: only the rates referring to similar half-years are comparable.

Table 1. Agricultural Output Index (1)
Rate of Change in Percent

		1980 (preliminary)	1981 (Preliminary)
	13		14
1	Produção Agrícola Vegetal	- 15.3	- 39.7
2	Cereais	32.7	- 25.3
3	Legumes e tubérculos	19.1	- 27.3
4	Produtos hortícolas (tomates)	- 17.6	- 25.1
5	Vinho	- 36.7	- 36.8
6	Azeite	- 46.3	- 48.1
7	Frutas	2.6	- 17.1
8	Produção Pecuária	10.4	6.8
9	Carne	21.8	- 8.3
10	Laticínios	13.4	8.2
11	Ovos	- 16.6	5.3
12	Produção Agrícola global	- 2.2	- 9.5

(1) Índice de quantidades calculado no Banco de Portugal a partir de estatísticas fornecidas pelo INE, IACEP e GNPP (ver Boletim Trimestral, volume 2, nº 3, Setembro de 1980).

Key: 1--Agricultural crop output; 2--Cereal crops; 3--Vegetables and tubers [root crops]; 4--Horticultural products (tomatoes); 5--Wine; 6--Oil; 7--Fruits; 8--Livestock production; 9--Meat; 10--Dairy products; 11--Eggs; 12--Agricultural output (total); 13--Preliminary figures; 14--Estimates; (1) Quantity indexes calculated by the Bank of Portugal on the basis of data supplied by the INE, IACEP, and the GNPP (see BOLETIM TRIMESTRAL, Vol 2, No 3, September 1980).

Table 2. Industrial Output
Gross Indexes

		Taxes de variação, em porcentagem		
		Jan.- dez. 51	Jan.- dez. 52	Jan.- dez. 53
		dez. 50	dez. 51	dez. 52
1	Indústria Transformadora			
	Total 2	0.1	0.3	0.6
	Indústria leve 2	-0.1	1.0	1.1
3	Alimentação e bebidas 4	3.1	4.3	3.4
	Vitais 4	-2.1	-1.6	-2.3
5	Madeira e cortiça 6	-0.0	-2.2	-4.7
	Borracha 6	-1.2	4.0	3.0
7	Artigos de material plástico 6	-3.3	-6.7	-3.7
9	Indústria pesada 8	0.3	-0.3	0.2
	Papel 10	13.6	11.1	0.6
11	Química e correlata (*)	-0.1	-3.4	-3.6
	Minerais não metálicos 12	4.7	7.2	6.5
13	Metallurgia de base 12	-0.9	-13.3	-9.1
	Produtos metálicos 13	0.2	-0.3	-3.7
15	Máquinas e equipamentos 14	-4.8	-1.2	3.5
	Materiais elétricos 15	-0.1	0.1	0.7
	Materiais de transporte 16	10.9	7.6	10.9

(*) Indústria química e de derivados de petróleo bruto e carvão.
Origem: INE, Índice de Produção Industrial

Key: 1--Processing industry; 2--Light industry; 3--Food and beverages; 4--Textiles; 5--Lumber and cork; 6--Rubber; 7--Plastic material articles; 8--Heavy industry; 9--Paper; 10--Chemical and related industry (1); 11--Nonmetallic minerals; 12--Basic metallurgy; 13--Metal products; 14--Nonelectric machinery; 15--Electrical equipment; 16--Transportation equipment; (1) Chemical industry and industry of crude-oil derivatives and products of coal origin, INE, industrial production indexes.

Table 3. Foreign Debt (1)
Balances at End of Period--in Millions of Dollars

	9 31 Dezembro 1980	10 30 Junho 1981	11 30 Setembro 1981
	Total	Outro Médio e Baixo 12 meses	Outro Médio e Baixo 12 meses
	Total	Total 12 meses	Total 12 meses
1. Dívida pública externa (*)	1 081	1 081	1 081
2. Banco de Portugal (*)	1 116	1 116	1 116
3. Outras instituições monetárias (*)	504	504	504
4. Sector financeiro não monetário (*)	71	71	71
5. Sector empresarial do Estado	3 677	3 677	3 677
6. Sector privado não financeiro	621	621	621
7. Total (1 + 6)	7 680	7 680	7 680
8. de qual:			
7.1 Com aval do Estado	792	792	792
7.2 Com garantia bancária	946	946	946
7.3 Sem garantia bancária	3 135	3 135	3 135

Key: 1--Direct public debt (3); 2--Bank of Portugal (4); 3--Miscellaneous monetary institutions (5); 4--Nonmonetary financing sector (6); 5--State enterprise sector; 6--Nonfinancial private sector; 7--Total (1-6); 8--Including; 7.1--With government backing; 7.2--With bank guarantee; 7.3--Without bank guarantee; 9--31 December 1980; 10--30 June 1981; 11--30 September 1981; 12--Short-term (2); 13--Medium-term and long-term; (1) Based on information records on capital transaction authorizations, except for the direct public debt and the debt of the Bank of Portugal; (2) Short-term only covers transactions with capital papers, not including commercial credits whose liquidation is accomplished under the BRI; (3) Origin: Ministry of Finances and Planning, Directorate-General of Treasury; (4) Origin: Foreign Department, Bank of Portugal; (5) Only includes direct responsibilities of OIM; (6) Includes Portuguese Finance Company and EFTA Fund.

5058
CSO: 3101/44

CURRENT PROPOSALS FOR EC ENTRY SUMMARIZED

Madrid ACTUALIDAD ECONOMICA in Spanish 17 Jun 82 pp 54-56

[Article by Ramon Rodriguez Lavin, Brussels: "Negotiations on Opening of Borders"]

[Text] During the next negotiating session between Spain and the EEC, which is to be held on 21 June in Luxembourg, the transition period toward Spain's total integration into the Common Market might be established at 5 years.

In submitting the document entitled "Foreign Relations" in Brussels, the Spanish delegation completed an important phase in negotiations for membership in the Common Market.

In other reports submitted earlier, entitled "Agriculture," "Customs Union," and "Social Aspects," the Spanish position is clearly spelled out on all topics constituting the core of the negotiations.

This document, along with the reports on "Customs Union" and "ECSC," constitutes the bulk of the minipackage of which it is hoped will be debated in a definitive fashion during the 21 June ministerial meeting in Luxembourg.

Latin America: More Relations

The Spanish delegation particularly emphasized the importance it assigns to economic relations with Latin America, believing that Spain's membership must signify intensification of economic and commercial exchange between the EEC and those countries. The Common Market, enlarged after Spain's admission, will have to step up its development aid to the countries of South America.

State Secretary Raimundo Bassols, who leads the Spanish delegation, stressed this point, arguing that the other countries of the Community had done the same for their former colonies. The Spanish delegation expresses its desire that these objectives be included in the membership treaty through a common declaration of intentions. The objective would be for the EEC in a special manner to implement "the system of generalized preferences" for the Latin American countries. Through this system, the EEC promotes the foreign trade of the developing countries by granting them customs duty exemptions.

Sensitive Products

Spain will accept the Community standard as of the moment of its admission and, to make this more harmonious, it asks for a series of temporary measures and suspensions in terms of time. This presupposes accepting all of the commitments undertaken by the EEC toward other countries, particularly toward the GATT countries, the countries with government-controlled trade, the countries of the EFTA, the countries in the Mediterranean, and the countries of the Third World.

For each of the groups of countries mentioned, Spain submits a list of "sensitive products" which are subjected to a special system; everything hinges on getting at least a customs duty reduction equal to the one obtained in relations within the Community. Some "sensitive products" of the EFTA countries, whose free entry on the domestic market could cause serious economic repercussions, will be subjected to a temporary period of customs reductions longer than the intra-Community interval and will even include a series of quantitative limitations.

After a certain ceiling has been passed, these products will be subjected to full customs duty payment. An example would be second-hand, second-grade articles. Since these products are overvalued, compared to their domestic counterparts with similar features, they could flood the domestic market; this is why special authorization will be required for their import. Other sensitive products include special steels, alloys, paper pulp, etc.

Spain will, as of the moment of its admission, also implement the Community system in force with respect to the countries that benefit from the "system of generalized preferences." At the very least, it is asked that a similar customs reduction system be instituted, with the same schedule as the one that is granted for customs duty reductions within the Community. The Spanish delegation is alarmed over the repercussions on the national economy which would spring from the wide opening of borders for the countries that benefit from the "system of generalized preferences" with a development level similar to that of Spain.

VAT Is Not An Obstacle

The EC submitted a document in response to the Spanish proposal on this chapter. The EEC is happy over the Spanish decision to introduce the VAT the moment Spain is admitted; this chapter of "taxation" therefore will not entail any conflicts.

In response to petitions for exceptions from the application of the VAT, the EEC will allow a special system for enterprises whose business volume is no more than 1 million pesetas per year.

The other Spanish petition dealing with the obtention of a preferential system for black tobacco over flue-cured tobacco for a period of 10 years however has not been challenged. On the other hand, the repeal requested to put independent livestock operations on an equal footing--that is, industrial-scale

producers of chickens, rabbits, and hogs--as against the special system provided for the small ranchers and for a period of 9 years was not accepted.

The Spanish delegation must also as yet communicate its plans on the taxation systems intended for the Canary Islands, Ceuta, and Melilla.

Five Years To Open Frontiers

The submission of the EEC's reply to the document entitled "Customs Union" submitted by Spain is also scheduled for this same negotiating session. Delays in the European capitals prevented its presentation. Rumors in EC circles emphasize the institution of a period of transition of around 5 years, in other words, enough time to bring about the disappearance of all kinds of customs duties between Spain and the other countries of the Common Market.

The study on which the European Commission based itself to estimate that a period of 5 years will be enough as a "period of transition" pictures the countries' economic situation "as very similar to that of the other member states." From a macroeconomic viewpoint, the situation was characterized by high inflation, weak economic growth, and an extremely high unemployment level.

The Spanish industrial structure--the European commission goes on saying--is not sufficiently adapted to serve a market as vast as the European market. In 1980 Spanish exports represented only 9 percent of the PIB [gross domestic product] and exports came to 16 percent (by way of comparison, in Belgium these figures are 55 percent and 61 percent, respectively).

It was also found that the dimension of Spanish enterprises is still small; this prevents some benefits of scale and access to foreign financing resources. Even though wage costs are low and even though productivity is also low, the result is a high cost level per unit produced. This situation can also be blamed on the high level of social expenditures, with employers' contributions in Spain coming to 39.7 percent while in France they are 29.7 percent and in Italy they are 27.7 percent.

In this report on "Customs Union," which the European commission has proposed and which the cabinet has not yet forwarded to the Spanish delegation, there is a proposal for a rapid customs reduction. This would involve eliminating customs duties between the EEC and Spain in a series of 6 periods so as to adapt the Spanish customs tariff to the Community customs tariff. The pace would be as follows: On 1 March of the year of admission and on 1 January of the following year, 20 percent; thereafter, each year, reductions of 15 percent.

In reply to the Spanish request for temporary repeals concerning quantitative restrictions on imports, the European commission proposed to accept the idea for the following products: Sulfur, powder and explosives, home sewing machines, special vehicles, boats, and ammunition; on the other hand, the EEC would impose quantitative restrictions on exports of scrap. In both cases this would be done for a period of 3 years.

A heavily favored sector would be the textile industry where, contrary to the initial intention, there would be no quantitative limitations on Spanish exports, as of the moment of admission.

We will soon learn the EEC's final position on that score which constitutes the very essence of the Common Market.

5058

CSO: 3110/169

CAPITAL INVESTMENTS CONTINUE TO LAG IN CURRENT RECESSION

Capital Goods Underused

Madrid ACTUALIDAD ECONOMICA in Spanish 17 Jun 82 pp 46-48

[Article by Carmen Ramirez De Ganuza: "The Black Sheep of the Crisis"]

[Text] The underutilization of capital goods for production purposes has reached 50 percent and even 80 percent; the financial expenditures have been multiplied by eight; and orders are down. During the last 5-year period, the capital goods industry in Spain suffered one of the worst losses in the economic crisis. This is an investment crisis which quite logically has hit capital goods and which seems to have begun to recovery only during FY 1981.

To say that the capital goods sector in Spain has recorded losses of 3.76 percent compared to the business volume in 1981 is like saying that things are going quite badly for this vast and heterogeneous industry. This comment however can be somewhat more indulgent if we recall that losses in 1980 averaged 4.35 percent. The same happens if we compare other figures. The 1981 per-capita billing volume went up 26 percent in constant values compared to 1980, while the cost, likewise on a per-capita basis, declined by 2 percent. As a logical consequence, the financing costs--since they were distributed over a bigger billing volume--showed a decline from 7.6 percent of the 1980 business volume to 6.80 percent in 1981.

In absolute terms, these are small numerical differences which would have little or no importance except, for the past 5 years, they are the first figures to break the constant decline of this sector, significantly summarized in two new data: An increase of 46 percent in personnel costs and a productivity decline of 9 percent throughout the 5-year term.

The problem is quite clear: Lack of investment. Talking of capital goods, in the international dictionary, means talking of goods for investment; and since 1976, Spain has recorded only zero investment growth until 1980 as everybody knows. Therefore, the blow has not only been painful but even mortal: Many enterprises have closed down and the others had to go along with the underutilization of their production capacity between 50 and 80 percent in the midst

of a crisis which, according to those directly hit, has been the worst experienced by all Spanish manufacturing sectors throughout these 5 years.

Relief

It is therefore not strange that, after these years of inactivity in investment, the 0.5 percent positive figure recorded for the investment variable in 1981 caused the capital goods sector to stop mourning and adopt specific relief measures; this means that the dark clouds on the business horizon have become somewhat brighter although they have not disappeared.

What is the origin of this small but encouraging change? It is to be found in the investment programs promoted by the administration throughout 1979, including coal-fired and nuclear thermoelectric power plants provided under the National Energy Plan; conversion of petroleum refineries and the plans of RENFE [Spanish National Railroads] although these have already been implemented for several years. The implementation of these plans was delayed by a year and that caused the effects to begin to make themselves felt in 1981.

The investment impetus, promoted by the government, therefore has been quite significant in ever so slightly on some points diverting that dangerous downhill, almost vertical line which showed up on the industry's economic graph. At least--even though the future might again become darker--we managed to make sure that the underutilization of the average production capacity declined from 27 percent to 20 percent over a period of a year.

The ever-present basic problems are becoming more complicated and, of course, in view of the absence of the demand, the capital goods sector has also again run into other, no less serious problems. Here we might mention financing: With an ever-declining private banking investment coefficient; with a money cost which already comes to 20 percent; with a recent invasion of the money market by the public administration--with all that it is not difficult to believe that the financial resources of the enterprises are heavily reduced. The consequences of this type money situation on the domestic market are very varied. Some are quite paradoxical, such as the situation of capital-goods supplying enterprises which found themselves coerced not only to sell but also to finance the sale of their products to their customers.

This formula--which in times of crisis can be logical also for client enterprises--inevitably introduces ever more serious complications, because, on the one hand, those financing sellers become directly responsible in these operations to the bank whose risk goes far beyond the time of delivery and has nothing to do with the proper or improper operation of the equipment; on the other hand there is the fact that the finance customer is very often economically stronger than the supplier. This latter case has led to the closing of quite a few enterprises because not all manufacturers have been able to bear an increase in financial expenditures which, as the average for the sector, have increased eight times during the period of 1974-1981.

But on that score likewise there is some reason for smiles in the capital goods industry. On 29 May 1982, the BOE published the following decree: "When the net worth of the purchasing enterprise is at least 750 million pesetas and when it is greater than the net worth of the supplier enterprise, the loans to be granted by private banks, to be included in their obligatory investment coefficient, will have to be based on the buyer credit method or they will have to be distributed between buyer credit and seller credit in proportion to the net worth of the respective enterprises.

Demand and financing, which structurally are the most serious problems, however have yielded in favor of a certain recovery in this sector. This involves the sector in general, to a greater degree in some subsectors than in others, but always with the exception of the construction machinery and public works industry whose decline has not been stopped for the moment, nor has it been arrested by government investments which are more aimed at the steel industry sector and the energy industry in general.

Capital Goods

(Capital Goods Sector Development, 1971-1981)

(Evolución del sector bienes de equipo 1971-1981)						
	1971	1974	1975	1978	1980	1981
Producción (1)	210.449*	372.998	402.661	492.020	550.680	607.202
Incremento anual (2)	13	22	8	9,8	6,4	10,3
% sobre consumo aparente (3)	67,4	60,9	60	53,3	43,4	35,8
Importación (4)	86.248*	191.983	207.251	260.468	336.800	406.485
% Incremento anual (5)	-1,7	24,5	7,9	5,1	20,3	20,7
Exportación (6)	31.706*	73.873	91.458	190.530	292.050	390.398
% Incremento anual (5)	21,8	48,7	23,8	18,5	23,8	30,2
% sobre producción (7)	15,1	19,8	22,7	38,7	53	62,6
Consumo aparente (8)	264.991*	491.108	518.454	561.958	595.430	636.290
% Incremento anual (5)	6,9	20	5,5	5	6	6,8

* Millones de pesetas corrientes.

Fuente: SERCOBE.

Key: 1--output; 2--annual increase; 3--percent of apparent consumption; 4--imports; 5--annual percentage increase; 6--exports; 7--percent of output; 8--apparent consumption; *--millions of current pesetas. Source: SERCOBE.

On the Outside, Looking In

Here is another new figure: In 1981, the capital goods output percentage intended for exports was 62.6 percent; this implies an increase of 30.2 percent over last year.

It is not an excessively surprising fact that the crisis on the domestic market has pushed Spanish enterprises toward the outside almost in a violent fashion; but what does attract our attention is the fact that the figures have more than tripled: In 1979 they did not yet come to half of the output volume, which was 45.6 percent, and in 1974 the figure was no more than 19.8 percent, in the shadow of the crisis, in order to represent practically two-thirds of the output in 1981.

However, equipment imports into Spain have revealed an annual increase of 20.7 percent which may not cause surprise but which does cause concern in business circles. Imports then also went down along with the crisis but they did not fail to take quite a bit of ground away from the country's output to the point where they have been dominating the Spanish market for a decade. In 1970, specifically, 64 percent of the domestic demand for capital goods involved domestic output and in 1981 the figure was only 36 percent. In other words, we have been losing the domestic market at the expense of gaining on the foreign market. The lifting of restrictions on the market has toughened the competition which the Spanish capital goods industry must now face.

Energy Industry in Trouble

Madrid ACTUALIDAD ECONOMICA in Spanish 17 Jun 82 pp 48,50

[Article by Carmen Ramirez De Ganuza: "Only a Small Breath of Air"]

[Text] Although satisfied by the positive results of 1981, the SERCOBE general manager is worried about the sector's future because of the cutbacks announced in energy plans.

Enrique Kaibel is 56 years old; he comes from Barcelona and is a naval engineer and a leader in the Spanish capital goods industry; it is not by chance that he is the general manager of SERCOBE, the national association which consists of more than 300 enterprises in this sector. Enrique Kaibel feels somewhat relieved in his comments to ACTUALIDAD ECONOMICA concerning the situation of this vast sector; but in spite of his apparently calm and confident attitude, he did not at any moment prove to be even slightly optimistic.

Apart from the small although significant recovery last year, the SERCOBE general manager thinks that capital goods still reveal the effects of the crisis to a greater extent than the other sectors: "Yes, you can undoubtedly say that because the crisis in Spain's economy has been an investment crisis and we know that capital goods involve investments. Starting in 1975 and for the first time in the Spanish economy's history for the past 50 years, we have had several consecutive years with negative investment rates. But I believe that our industry has reached the end of this period of recession which terminated in 1979 since we had a very slightly positive gross capital formation rate in 1980 while the 1981 figure was perhaps even a little more positive."

Industry Without Enterprises

The sector's recovery during the decade of the 1980's is an expectation which SERCOBE certainly does not play down; but for the time being, commentaries are

rather cautious: "In 1980 we actually had a recovery in all the capital goods subsectors, not so much in the construction and public works machinery sector; however, looking toward 1983, we are worried because of the cutbacks which have been announced in the energy sector; it is already being said that not all of the coal-fired power plants will be built, that some of the nuclear power plants will be dropped, and that creates serious worries because, for the year 1983, we only have work for the first half of the year. This is why it is vitally important for us urgently to launch the combined steel industry conversion program. When I say urgently, I mean that this should be done before the summer, before vacation time, and before the elections, before the country is paralyzed. This is an undertaking which has been studied very carefully both technically and economically; what we need now is to make sure that there will be no delays of 6 or 8 months for bureaucratic reasons because that could turn out to be very serious."

The capital goods sector has been the sector that was most heavily hit by the crisis. The number of enterprises which survived actually conceals the effects of an unprecedented recession. "The capital goods enterprises have had many difficulties in reducing their personnel while they watched their contracts and job orders decline. Some of them had to close because they had 20 percent too many employees and they were not authorized to revise their organizational charts. The two extreme subsectors in this crisis involved railroad equipment, a subsector which practically did not feel the effects of the crisis because RENFE sometime ago launched its investment and modernization plan, and the public works equipment subsector which continues to be in an absolutely depressed situation; besides there is the irreversible fact that almost half of the enterprises have disappeared, practically leaving this sector without enterprises."

Investing Is a Miracle

The key to these beneficial injections into the activity of this sector undoubtedly can be found in public initiative. Does this perhaps mean that the sector will become dangerously dependent on the government? Enrique Kaibel proves to be rather worried over this possibility: "Yes, this is serious. But this is not happening only in our sector; it is happening all over the country. In other words, private investments have disappeared due to a series of well-justified reasons, such as the cost of money, poor business results, and, finally, an economic policy which is inadequate for investments from the taxation viewpoint, along with labor legislation, etc."

"What the administration is doing now--although it is not managing to bring the rest of private initiative along--is to push the demand by stimulating it with some plans where investments--we must remember--mostly come from private sources. But the fact that the government provides some stimuli for some investors--who, I am emphasize, are for the most part private--in order to improve the operation of some installations, that fact has nothing to do with the entire sector winding down. On the contrary, since orders and contracts continue to be very much below the output capacity, competition is very stiff."

Watching the Situation

One consequence of this strangulation of the domestic market is the increase in exports. Some transactions are again and again limited because of the rigidity of borrowing limits established for each country. But, for Kaibel, foreign financing is a topic that has been resolved relatively while the problem is much more serious within the country.

"The problem simply is that there is no such financing at home. And if you want to promote investments, the logical thing is not to set up any obstacles in the way of the financing of capital goods because if you have no financing, you have no investment. And in Spain, investments have been reduced gradually because of a deliberate policy; it is clear that if investment does not find capital on credit at proper cost, there can be no investment and as a matter of fact, there has not been any. When this policy was instituted in 1977, we said quite frankly: This is serious; this will stop investments. And investments have come to a stop; it could not be otherwise."

The SERCOBE general manager of course recalled the very often mortal effect on manufacturers who were forced to finance their customers. However, as a result of the new decree it seems that things are going to begin to change. "This is something which SERCOBE has been fighting for over more than a year; but in spite of the fact that the Ministry of Industry understood the importance of this from the first moment on, it has not been possible to solve the problem so far due to the reluctance on the part of the banks, on the one hand, which prefer to have a double debtor, in other words, the banks want two signatures--the signature of the buyer and the signature of the seller; on the other hand, we have the reluctance on the part of the buyers who found it much easier to get financing from their suppliers instead of becoming involved in the process of looking for loans. But it must be said that this formula does not exist on any domestic market. The seller is not supposed to have to finance the purchase; the seller is here to manufacture goods well and cheap."

Trade With Africa Increasing

Madrid ACTUALIDAD ECONOMICA in Spanish 17 Jun 82 pp 50,51

[Unattributed article: "The Conquest of the African Market"]

[Text] We feel that we should talk about Africa not because of its 4-percent share in total exports but because of the 44-percent annual increase which in 1980 represented one-fifth of exports to Latin America.

International competition for trade in Africa is fundamentally a financing problem. The problem is as simple as all this: He who offers more payment facilities or he who grants a longer term is the one who comes away with the contract. But Spain proves to be rather cautious when it comes to setting the borrowing limits with those countries that recently emerged to join the civilization of development; this however turns out to be an obstacle to some transactions which Spanish exporters found themselves forced to struggle with.

This in other words is the summary of all complaints which Spanish exporters have been expressing through the SERCOBE export department, specifically through the comments of Jesus Laforgue and Pedro Diaz Espada--whose main concern is to figure out the small print in international trade relations. "You can say and you can maintain rather sharply that Spain has no African policy. That of course has repercussions on exports. For example, it is unthinkable for Spain not to be able to give Zimbabwe more than \$5 million or \$7 million whereas Yugoslavia, which is a country that is only 15 years away from Spain, is giving \$2 million in credit. For example, we have a project in Zimbabwe whose approximate cost is \$25 million. We discovered it but we cannot handle it because Spain does not finance that country to the extent of more than \$5 million. So, this is the way it works: We go to a country such as Yugoslavia, which is light years away and we say: "We give you the engineering, we give you the blueprints, you make the equipment and with your financing we do the rest. In other words, this is a project which we found, which we worked out, which we followed up, but from which we will only get 5 million while Yugoslavia gets 20."

There are other similar cases, such as a contract for \$80 million which we have with the Ivory Coast and which we are going to have to handle from Mexico. In this case, the risk ceiling was not the problem; the problem was the repayment terms. The installations involved called for a financing limit of 7 years in Spain while the client asked for 10. So, a Spanish affiliate will handle the contract from Mexico which is prepared to grant 10-year financing.

The borrowing risk quota system is logical but the people in SERCOBE think that it should be more flexible for certain cases. For example, take the case of Zaire: We are not allowed to give that country even a single peseta of financing. We have a contract signed by two enterprises of SERCOBE to put in the entire low-voltage electric power system for Kinshasa, starting in 1973. A recent announcement from the Spanish embassy in Zaire to the Ministry of Foreign Affairs emphasizes that Spain's prestige in Zaire is impressive because of the projects that have been put up there. That contract is being financed by the same enterprises which are confident that Zaire will pay, for better or worse, with some delay, but pay it will. This is actually what happened. It is estimated that, if Spain were to institute a ceiling of at least \$5 million for financing, Spanish enterprises would have no competition in Zaire on the topic of electric installations.

The criteria establishing the risk ceilings "not only are not flexible" but the ceilings themselves are very low. Today, talking in terms of \$5 million for international capital goods contracts is nothing. We believe that we would have to begin to talk in terms of \$20 or \$50 million in dealing with any country in the world with which we have had no prior experience."

There are also some strange business deals that have been handled by Spanish exporters in African countries where there is a clear French predominance, such as the contract signed by Elecnor for a rural electrification contract in Ivory Coast, a country where the French Electric Power Company so far has had practically a monopoly; we might also mention the English-speaking area which is even more inaccessible because of its remoteness and because of the stiffer

competition, in a continent heavily worked by France, Italy, Germany, and some socialist countries, such as Yugoslavia, Poland, and the USSR; then there is the central part which is totally unknown to Spain on the question of risk ceilings; and finally we might even have much more to say about the countries in north Africa, such as Morocco, Algeria, Libya, Tunisia, and Egypt, where the Spanish presence is much more important. But Africa will for a long time continue to be a potential continent for Spanish exports although it would hardly constitute a representative market.

Industrial Recovery Helps in Financing

Madrid ACTUALIDAD ECONOMICA in Spanish 17 Jun 82 pp 51,53

[Article by Jeronimo Martel: "The Logistics of Development"]

[Text] Various indicators show that capital goods financing is on the upswing, along with slow industrial recovery.

The financing of capital goods was helped along in terms of its credit coverage through what we today call EF (financing entities) legally created in 1962. The specific entities thus established included a representative mission from the government, which was justified because, while at that time we did not have any direct tax benefits, we did have rather good access to the rediscount from the Bank of Spain and that did indeed constitute a form of financial backing. The other finance companies at that time however were not given any legal attention as such.

These laws were then further developed by a decree-law issued during that same year which established the first regulation for the EF, along with the subsequent law on the sale of real estate on the installment plan, a law passed in 1965. That left the delegate from the Bank of Spain--in the old days he had come from the Government Medium-Term and Long-Term Credit Institute--on the board of directors of the capital goods EF with the provision that he could keep social decisions in suspense until they had been approved or rejected by that Bank. Today they do not have this same access to rediscounts from the Bank of Spain but they do benefit from the important role assigned to the Bank's capital goods investment coefficient.

Strong Sector

Jose Ramon Fernandez Bugallal, president of UNIFIBAN and vice president of ASNEF, says that the Financing Entities specializing in the financing of capital goods used to number seven and now are eight in number--that is to say, the active ones--and that they are confined to this mission and that they can handle only domestically manufactured equipment; their average transactions in 1981 came to between 1 and 1.5 million pesetas; they also keep up to date through the specific use of information supplied through information processing facilities; they subdivide their work into the banking area and into the savings funds as such based on the principle of specialization and finally they are most scrupulous when it comes to accepting the projects of their customers. "We," says the ASNEF vice president, "never enter into any

agreement with any outfit, nor do we collect any commission from anybody; but we do advise on the production features of machinery so that the dimensions will not be too small or too large; in other words, we provide advice on the suitability of the particular project but we are neutral when it comes to the various options among the various brand names."

Last year, the sector handled transactions amounting to approximately as much as 17.8 billion pesetas.

Unpaid bills due were between 13 and 14 percent. "We believe," commented Bugallal, "that 10 or 11 percent would be quite little and anything above that really worries us; at any rate, the final collection level is very high even though the money comes in slowly." In this sense, the ASNEF representative complains however of "the absence of legal ways to speed up collections because lawsuits are slow and ineffective"; and finally he observed: "We would like to drop the bill of exchange, instead putting the guarantee under reserve ownership or sales prohibition." This is why he is sorry that the Financing Entities in Spain do not in fact--as happens in France--have the services of participating restored equipment storage and sales companies.

"Leasing" Working Smoothly

You can buy capital goods--ranging from machinery all the way to industrial plants--or you can rent them through the financial rental system which is also called leasing. Evidently, all of the alternate options have their own advantages. The advantages of leasing are not precisely small in number; the equipment is ready for production and there is no need in advance to accumulate installment payments, nor is it necessary to index the equipment to keep up with inflation since this formula is not used in Spain; one can easily keep up with the rate of technological advance and finally there is a substantial tax reduction since financial renting or leasing results in deductible expenditures and the price for the purchasing option is the remainder left in the contract.

Such tax advantages are not unusual. In the United States, in an effort to promote business investment and the renewal of equipment, there is a specific legal system which provides tax incentives for leasing; on the basis of the August 1981 Economic Recovery Tax Act, the system uses the figures of "leveraged lease", a system of tax benefits tied to the process of paying the installments--plus the "tax-oriented lease," oriented toward imports, and the "safe harbor" to facilitate the proper conclusion of the project. All of these provisions point to the tax support which the two parts of the leasing system get. It is therefore no wonder that the 3,000 American firms in this sector maintain a 20-25 percent financing share for all of the production equipment procured, with a long-term growth rate of 20-25 percent during the decade of the 1960's. Along these same lines, the International Financial Corporation, an affiliate of the World Bank, will use this system in its coverage for the Third World.

Carlos Vidal Blanco, the deputy advisor of Alquiber--historically the first leasing company--and author of the work "El leasing, una innovacion en la tecnica de la financiacion," told ACTUALIDAD ECONOMICA that the enterprises

registered in the economy in January 1981 numbered 21 and that there are 38 now. The estimated investment figures--the purchase price of rented goods--in 1980 came to as much as 21.571 billion pesetas and in 1981 reached the figure of 33 million pesetas in net investments; these amounts generated future rental financing [leasing] shares of something like 47.1 billion pesetas. Here, as elsewhere, the economy of scale exerts its influence to the point where the first five enterprises in terms of share ranking grew from 12 300 billion pesetas to 21.762 billion pesetas in total investments from 1980 to 1981. Finally, it must be noted that the leasing of vehicles and buildings, within the general heading of capital goods, involves some rather small percentages; for 1981 and in absolute terms the figures for these investments were, respectively, 3.306 billion pesetas and 3 billion pesetas.

The Third Way

The project financing idea is very popular in the United States, Great Britain, France, etc. Here we might mention only one example which is worth looking at not only because it is admired but also because it is imitated. This is worthwhile taking a look at. The advantage of this third formula resides in the fact that financing practically becomes the equivalent of a turnkey sale, thus avoiding the creation of a provisional organizational chart for 2 years. The example here is called Finequipo although the SERCOBE is also somehow involved in this line.

As its deputy advisor, Juan Bautista Diaz Gonzalez, told ACTUALIDAD ECONOMICA, Finequipo, always hand in hand with some big engineering outfit, acts as the financial service enterprise specializing in the financing of major industrial products since 1975; it is halfway between a union of manufacturers and a pool of banks, handling the management of financing for investment in industrial plants.

5058

CSO: 3110/169

LOCAL PRESS REVIEWS POLITICAL ISSUES

Condemnation of Israeli Invasion

Nicosia CYPRUS MAIL in English 12 Jun 82 p 3

[Text] THE House resolution condemning the Israeli action in Lebanon attracted the main headlines in the Greek Cypriot dailies yesterday.

However this did not detract from the main debate on «Government actions and public interest» which gave the opportunity to the two sides to attach each other on the «minimum programme» of collaboration between the Akel and the Democratic parties.

HARAVGHI, the Akel party paper, features the Akel leader's (Papaioannou's) speech in the House headlining it «Papaioannou crushed Rally Party allegations: Public interest best served by the Democratic Party-Akel minimum programme».

ELEFTHEROTYPIA, the ruling Democratic party's paper, lays stress on the party spokesman's (Alexis Galanos's) speech in which he denied that the minimum programme implies any change in the government economic policies.

SIMERINI, the Rally Party paper, underlines the difference between the Akel and the Democratic Party speeches concerning the joint supervisory committee or «Directorate», which was pinpointed by the Rally spokesman Mr Lordos namely that Mr Papaioannou defended the joint committee while Mr Galanos expressed doubts whether it would be set up.

Meanwhile editorials compare the Palestine situation with the Cyprus case to note that what the Palestinians and the Lebanese need is more positive aid and less declarations.

The rightwing independent AGON and the Union of the Centre Party paper KYRIKAS yesterday pointed out that the Lebanese tragedy is another pointer that Greece alone is the country to which Cyprus can turn for support in case of need and be spared the fate of Lebanon, thus echoing views similar to those expressed in SIMERINI on the day before, with obvious hints against the Akel-Democratic Party's «minimum programme» which allegedly diminishes Greece's role.

AGON in its comment goes one step further and blames Russia for behaving in the case of Lebanon in the same way as it did in the case of Cyprus in 1974, that is, turning a blind eye or tacitly tolerating the aggression.

«This attitude of Moscow is exactly the same, if not worse, than that it followed in the case of the barbaric Turkish invasion of Cyprus in 1974, an operation which Ankara would not have dared had it not counted on Russian «tolerance», Agon says quoting unnamed observers in Nicosia.

And the paper's columnist «Paratiritis» says that the Soviet does not live up to the image Akel tries to build for it as the opponent of violence and the defender of the small countries.

The recent arms discoveries in Cyprus are inviting rival comments between the pro-government and the opposition press.

ELEFTHEROTYPIA says all illegal arms should be rounded up because every gun in illegal hands is a threat to democracy.

HARAVGHI which had an editorial on the day before along the same lines features by the Pancyprian Refugee Committee to the President of the Republic expressing concern about the illegal arms.

SIMERINI, replying to Akel suggestions that the arms were found in homes of people said to be associated with the Rally party, points out that in the two cases, at Larnaca and Paphos, the homes where the discoveries were made belong to relatives of two persons serving prison terms. They are not housed by the Rally but at the central prison it says.

ALITHIA features the query made in the House by Rally spokesman Mr Lordos, in reply to Akel's reference to the arms, whether it is intended to find more such arms «by the time of the presidential elections», an obvious hint that the announcements are politically motivated with an eye on the elections.

NEA, the socialist Edek party joins in expressing doubts as to whether the discoveries are accidental and wonders if the announcements are not made to serve election purposes.

Before giving credit to the police, it says, one should know why the discoveries were not made earlier but only with a delay of several years (after the arrest and conviction of the men).

House of Representatives Debate Scored

Nicosia CYPRUS MAIL in English 13 Jun 82 p 3

[Text] **T**HE Greek Cypriot opposition papers yesterday referred to this week's (Thursday's) debate in the House of Representatives on the question of «Government actions and public interest» during which the Akel leader Mr E. Papaioannou defended the «minimum programme» of the Akel-Democratic Party collaboration agreement.

The Akel leader is taken to task for declaring that Akel utterances against Premier Papandreu did not constitute an insult instead of acknowledging the mistake and apologising for it.

He is reminded that the Democratic Party spokesman Mr Alexis Galanos in his speech in the House admitted that there had been insults (though he did not identify Akel with them) and expressed the hope they would not be repeated.

KYRIKAS, the Union of the Centre Party paper notes that in his address Mr Papaioannou had declared, among others, that «we are the friends of the Greek Premier» and says one wonders what sort of language would have been used had Mr Papandreu not been a «friend».

More critical, however, is the paper about Mr Papaioannou's remarks that if Cyprus had a pact with the Soviet Union it could have invoked Russian assistance when required.

But, the writer says, Russia had a pact with Vietnam when China invaded that country

but did nothing nor did it more in the case of Palestinians though it does have a pact with the Soviet Union.

After all, the commentator says, Akel is a partner in the «alliance» (Akel - Democratic Party) and if it believes that such a pact would protect Cyprus why then it does not ask for such a pact.

AGON's commentator «Paratiritis» makes similar remarks about Soviet «consolation messages» and insists that only Greece can provide unselfish support for Cyprus.

Yet, he says, Akel leaders deny Greece the right to have a say in Cyprus affairs and want Cyprus to keep away from Greece.

Hypocrisy

HARAVGHI, however, in its editorial about the Lebanese situation says that the «all-round assistance of the Soviet Union and of the whole socialist community to the fighting Arab people constitute a decisive factor for the confrontation of aggression». This is an example of unselfish international solidarity, the paper says while in another comment speaks of «NATO hypocrisy».

NEA, the socialist Edek party paper, in its editorial strongly backs the suggestion for rescinding of diplomatic relations with Israel.

ELEFTHEROITYPIA, the paper of the ruling Democratic Party of President Kyprianou, underlines the steps of the Cyprus government to provide practical aid to the victims through pharmaceutical supplies and hospital treatment.

But the paper's main headline goes to the President's speech in the UN General Assembly on disarmament where he repeated his call for the demilitarisation of Cyprus. The paper calls the President's suggestion a «peace proposition».

CSO: 4600/575

GOVERNMENT SLATES U. N. DECISIONS FOR NEXT MONTH

Nicosia CYPRUS MAIL in English 13 Jun 82 p 1

[Text] **T**HE Cyprus government will convey ~~some decisions~~ to the UN Secretary General next month.

A statement issued in Nicosia yesterday said that, on certain points discussed in New York, decisions will be taken in Nicosia after consultations in a new meeting of the President with the Greek Premier.

It also said that the President, in his talks with the President of the UN General Assembly Mr Kittani, discussed the question of an eventual Cyprus debate in the Assembly. This will be discussed by the governments of Cyprus and Greece.

After formulation, these will be sent to the UN Secretary General early in July, it said.

The intercommunal talks, scheduled to resume in Nicosia on June 22, still have to cover the subjects of executive organs for the new Republic and territory.

Yesterday's statement confirmed that the UN Secretary General presented no new ideas during the New York talks.

But the Secretary General

In his speech to the House of Representatives last week, Akel leader Mr Papaioannou indicated that such an appeal might revive demands for an ad hoc committee of non-aligned countries to help UN efforts in the intercommunal talks.

CSO: 4600/574

POLICY ON ASSOCIATION WITH COMMON MARKET DISCUSSED

Nicosia CYPRUS MAIL in English 13 Jun 82 p 1

[Text]

THE Cyprus government's policy on Cyprus's association with the Common Market remains unchanged and is not affected by the «minimum programme» of the Democratic Party and Akel

This assurance is given by President Kyprianou in a letter to the Cyprus Employers Federation which had expressed serious misgivings about the effects of the «minimum programme» on government economic policies and notably on the system of private initiative.

The Federation, in a memorandum to the President drew attention to the fact that it is Akel's declared policy to establish a system of «fully controlled economy».

But the President in his reply, as in a recent one to the Cyprus Chamber of Commerce, said these fears on economic policy are not warranted.

«The policy advocated by any party concerns that party. It cannot have any relationship to the Diko-Akel collaboration programme or to government policy», the President said.

«It is the intention of the

government and myself, not only to preserve the mixed economy but to reinforce it and modernise its structure.

The government will continue to encourage private initiative and strengthen the entrepreneurial climate he said.

The Employers Federation had pointed out that Akel leaders at their recent congress had declared that they will not compromise on their «ideological credo» and in particular on the Akel stand against Cypriot association with the Common Market. Akel had referred to nationalisation and mentioned by name such enterprises as Cyprus Airways, the oil refinery and petroleum products marketing.

«We wish to stress most emphatically», the Federation says, «that nationalisation of even a minimal number of enterprises will be the beginning of new trends in government policy. It will have an immense adverse effect and discourage investments in the private sector».

The Federation expresses disagreement with the minimum programme's reference

to «reinforcement of price controls».

«This policy has been harmful wherever it was applied and has now been abandoned worldwide».

In his reply the President said that the government will intervene only where private initiative is unable or unwilling to act, and always to the benefit of the people and the economy as a whole.

On price controls, the President says it is not intended to introduce general price controls but to improve the present system for the protection of the consumer.

«Fair price controls tend to stabilise the cost of living.

As to EEC policy, the President said that the policy for Cypriot association will be continued.

'POLICY FOR OVERSEAS STUDENTS' DISCUSSED

Nicosia CYPRUS MAIL in English 12 Jun 82 p 1

[Text] Friends of Cyprus, the all-party group of British MPs concerned for the future of Cyprus, has given a warm welcome to recommendations made in the Overseas Students Trust's report, "A Policy for Overseas Students", published on Sunday. The report urges the government to consider introducing concessionary fees for students from Cyprus.

The report's authors argue that Cyprus has a unique combination of claims to special consideration.

She is not only a member of the Commonwealth, but also an Associate of the European Community, with which she plans to have a customs union, and a member of the Council of Europe.

Cyprus is a country without a university and one with a heavy traditional dependence on British public sector educational institutions.

Her large refugee population creates a special need.

She is strategically important to Britain as evidenced by the presence of two British sovereign military bases on the island.

Britain is one of the three guarantors of the Cyprus Constitution and has been party to the arrangements whereby Cyprus attained constitutional independence within the Commonwealth, rather than union with Greece which would now have brought home student status for Cypriots with it.

Eventual reunification of the island would be assisted by access to education opportunities in English, the proposed common language of the future Cypriot state".

"This is an excellent summary of the case for Cyprus being made an exception to the current fees policy", says Christopher Price MP, vice-chairman of Friends of Cyprus.

"I have just come back from Cyprus, where I discussed the student fees problem with political leaders from both Greek-Cypriot and Turkish-Cypriot communities, including those responsible for education. Cyprus has been particularly badly hit by the increases in fees, and there is no doubt about the harm which has been done to both communities in Cyprus and to relations between Cyprus and Britain".

"Friends of Cyprus has repeatedly called on the government to recognise the particular problems caused to Cyprus by its policy of charging high fees to overseas students", adds fellow vice-chairman Cyril Townsend MP.

"We very much welcome the proposals on Cyprus in the Overseas Students Trust's report, and urge the government to implement them as soon as possible".

The government intends to review its policy on overseas students fees now that this report has been published.

Friends of Cyprus will be seeking an early meeting with the Secretary of State for Education, Sir Keith Joseph, to impress upon him the need for special action on Cypriot students.

CSO: 4600/574

NDP CALLS FOR 'UNIFIED FRONT OF CHANGE'

Nicosia CYPRUS MAIL in English 11 Jun 82 p 1

[Text] The New Democratic Party (NDP) of former House President Mr Alecos Michaelides has announced that its stand regarding the Presidential elections will be decided at the party congress next October.

In the meantime the party's leader, Mr Michaelides, addressing a party meeting in Nicosia called for a "Unified Front of Change" which could block the way to the Akel-Kyprianou alliance which he strongly criticised.

"The Papandreou policy on Cyprus could provide the common denominator" for such a front, that would convince and unite the people, he said.

CSO: 4600/574

BRIEFS

STUDENTS IN BEIRUT REGISTER--The Foreign Ministry has advised Cypriot students at the American University and other colleges in Beirut not to risk panic departures. The Ministry has arranged with the British High Commission to extend to Cypriot students the same facilities it would offer British subjects and other Commonwealth citizens in case of an evacuation. Cypriot students were urged to register with the British Embassy in Beirut. [Text] [Nicosia CYPRUS MAIL in English 10 Jun 82 p 1]

HYDROFOIL SERVICE POSTPONED--The hydrofoil (Flying Dolphin) should arrive in Cyprus next Friday and start its regular flights between Larnaca and Lattakia on Sunday, June 13. The scheduled flights to Beirut and Tripoli have been postponed due to the war in Lebanon. [Text] [Nicosia CYPRUS MAIL in English 10 Jun 82 p 1]

CYPRIOT EVACUEES ARRIVE--The first Cypriot evacuees from Beirut, about 50 Cypriot students at the American University there, are due to arrive by boat at Limassol early this morning, according to first information available last night. The vessel carrying them is the "Space One" owned by Albert Fegali with offices at Limassol. The students had been taking shelter in the basement of the American University before they decided to leave through the Christian-controlled port of Jounieh from where the "Space One" will sail. Together with the students there are some other foreigners it is understood. Earlier the Cyprus Foreign Ministry announced that Cypriot students at the American University (estimated at 100) were safe and have moved to the "eastern region" of the city. But the Ministry urged the students to stay where they are until the British Embassy made arrangements for their departure. "Those decided to leave alone are doing so at their own risk", the Ministry said. [Text] [Nicosia CYPRUS MAIL in English 11 Jun 82 p 1]

AID GIVEN TO LEBANESE--Events in Lebanon are being eagerly watched by Greek Cypriots who see in the invasion and uprooting of populations a re-enactment of their own drama of July 1974 when Turkey invaded Cyprus. This is reflected in the House of Representatives resolution which condemns the invasion with such strong words as "disgust" and "genocide". In order to secure unanimous approval the resolution avoids any reference to "imperialists" and such words which would be welcome to the communists and the leftwing but would be opposed by rightwing members. Even the operative last paragraph calling on government to provide "practical aid to the Lebanese and Palestinian people" falls short of calling for severance of diplomatic relations and only asks government "to consider the whole spectrum of diplomatic and other relations with Israel including severance of diplomatic relations."

The debate was not long or heated but it showed that even the pro-western wing could not afford to show any hesitation in condemning any sort of invasion. The pro-western Rally Party said it did not distinguish between good and bad invasions. Greek Cypriots have traditional relations with the Arab world and particularly with Egypt and Lebanon and they are following events with emotion especially considering that Cypriots are still going to Beirut for studies and there were some 100 Cypriot students at the American University of Beirut at the time of the Israeli thrust. The island has also a 2500-strong Maronite minority community which has close affinity with the Maronite community of Lebanon from where it draws its origin and Maronite clubs fly the Lebanese flag with the cedar. Furthermore many members of the Armenian community in Cyprus have relatives in Lebanon. But apart from all these, the events in Lebanon with the reluctance of big powers and even of Arab neighbours to provide tangible support, have had repercussions on home politics and are giving a new angle to the Nicosia-Athens dispute and add a note of urgency for mending differences between the two capitals. [Text] [Nicosia CYPRUS MAIL in English 12 Jun 82 p 1]

FUNDS FOR LEBANON--The Ministry of Education in a circular to all schools urged them to collect funds and clothing for the suffering victims of war in Lebanon. Meantime the Ministry of Health is coordinating its efforts to implement the Council of Ministers decision to provide practical assistance by the despatch of pharmaceutical supplies and allowing the use of Cyprus hospitals for the treatment of serious cases. The representative of the PLO in Nicosia yesterday called on the Minister of Health Mr Pelekanos to thank him and to exchange views about the establishment of a line of communication. [Text] [Nicosia CYPRUS MAIL in English 12 Jun 82 p 1]

270 REFUGEES ARRIVE--The first evacuees from the war-stricken Lebanon arrived by sea at Larnaca in five separate craft but the departure of Cypriot students was still being delayed at the port of Jounieh. A total of 270 evacuees, all of them foreign nationals, including families of foreign missions in Beirut, arrived yesterday and were offered all possible facilities by the Cyprus authorities. Some are temporarily staying in the island while others are making arrangements for departures to other destinations. The largest group of 110 arrived on the "Sea Victory", a private yacht belonging to Mrs Anna Bell Head which has been in the Larnaca marina for the last couple of years. It carried the only Cypriot nationals an Armenian couple from Nicosia, Mr and Mrs Nahabetian. On its way from Jounieh, the vessel was twice intercepted by Israeli craft but was allowed to proceed to Larnaca. There are more craft at Jounieh waiting to leave for Cyprus if they are given permission. One of them is the "Space One" with Cypriot students who were due to depart on Thursday night but the vessel was turned back by Israeli vessels when it left port. Another attempt last night was again foiled. The Foreign Ministry in Nicosia said that the Counsul for Cyprus Mr Samaha had made arrangements for the student's accommodation and that they are safe. Meantime an International Red Cross plane arrived at Larnaca airport from Athens to be ready to fly to Beirut to provide assistance if necessary. Last night there were 3 Beirut-bound aircraft of the Lebanese MEA airline which made a landing at Larnaca because of the closure of Beirut airport. [Text] [Nicosia CYPRUS MAIL in English 12 Jun 82 p 1]

STUDENT VESSEL SAILS FROM BEIRUT--The ordeal of Cypriot students in Lebanon seems to be near an end. About 100 students had boarded the "Space One" under Panamanian

flag in Jounieh on Thursday but were intercepted by Israeli naval craft and turned back. Another attempt on Friday again had the same fate. However the Foreign Ministry announced yesterday that Cypriot Consul Mr Samaha has now confirmed that "Space One" with the students on board is already cleared and out of Lebanese territorial waters. It is due at Limassol early this morning. Two other small vessels, the "Fouad" (Lebanese flag) sailed from Tripoli and "Teravic" (Swedish flag) sailed from Jounieh yesterday and arrived at Larnaca with some 50 passengers on board, none of them Cypriots. On Friday five other vessels arrived at Larnaca with 270 passengers, including the British Sea Victory with 100. Sea Victory sailed again yesterday to help in the evacuation. Meantime Cypriot hospitals are ready to provide assistance if the Red Cross or U. N. decide to take victims here. A Red Cross plane is standing by and Red Cross supplies have started to arrive in addition to those being collected in Cyprus. [Text] [Nicosia CYPRUS MAIL in English 13 Jun 82 p 1]

CSO: 4600/573

SWEDISH PEOPLE'S PARTY CONGRESS LOOKS FOR BROAD COALITION

Stenback: Include Conservatives, SDP

Helsinki HELSINGIN SANOMAT in Finnish 6 Jun 82 p 9

[Article by Ritva Remes: "Finnish-Speaking Invited to Join Swedish People's Party"]

[Text] Kemio--Welcome to the Swedish People's Party, Finns who support the Swedish language and Swedish culture. But under the conditions of the RKP [Swedish People's Party], was RKP Chairman Par Stenback's concisely stated message to the Finnish-speaking. A language policy and the RKP's images were in addition to overall policy the subjects of discussion at the RKP congress in Kemio on Saturday.

The Swedish People's Party, which was replete with general satisfaction, began its party congress, at which conflicts, passions, and heated encounters were a part of the distant past.

The party leadership was satisfied with itself, its ministerial faction, its parliamentary faction, and the recent presidential elections. The rank and file of the party made certain that the Swedish language and the party's peculiar nature were retained and that the Social Democrats were put into office and disparaged the Conservative Party's bilingual aspirations.

Paivi Hirsikangas, who as vice chairman has been the symbol of bilingualism in the RKP, explained that the RKP has no reason to be concerned about the establishment of a Swedish-language delegation in the Conservative Party.

Nevertheless, bilingualism does not seem to be a reality of the near future in the RKP. Chairman Stenback, at least, believes that the party will not strive for bilingualism during his chairmanship. Along with the rest of the party leadership Stenback will be reelected on Sunday.

Helsinki University Central Hospital, RKP, and the Conservative Party

However, the Conservative Party was acceptable as a partner in cooperation for the RKP. The RKP has sent a letter to the Conservative Party as well as the Social Democrats' Swedish-language organization Arbetsförbundet. In

the letter a proposal is made for cooperation in organizing Swedish-language services and care in Helsinki University Central Hospital.

Also the Conservative Party was acceptable to the RKP as a government partner. Chairman Stenback made room for the Conservative Party in a majority government together with the Center Party, the Social Democrats, and the RKP.

Chairman Henrik Westerlund of the RKP Parliamentary Faction also saw no reason to oppose the Conservative Party's entry into the government if it does not occur at the expense of the centrist parties.

On the other hand, Westerlund considered it bad if the Conservative Party and the Social Democrats find one another. In Westerlund's opinion the ruling power of the Conservative Party and the Social Democrats would destroy democracy.

According to Westerlund cooperation between the Conservative Party and the SDP would endanger concern for democracy, the rural population, and small entrepreneurs.

In the name of balancing area policy the RKP conducted a discussion on education, particularly the fate of the Swedish-Language Social Studies College, Svenska social- och kommunalhögskolan, located in Helsinki.

Representatives from Pohjanmaa supported the transfer of the college to Vaasa. The party leadership ended up supporting the party's governing body's stand that the college be kept in Helsinki.

According to the governing body the attachment of the college as a separate unit to Helsinki University is an alternative which has possibilities from a policy point of view as far as its accomplishment is concerned. Sociologists graduating from the social- och kommunalhögskolan would have an opportunity to continue their academic studies in connection with Helsinki University. In Vaasa there is no sufficiently strong political science unit suitable for this purpose, notes the governing body of the party in its stand.

Jan-Magnus Jansson, who is staying in Amos Anderson's Söderlangvik country manor and is participating in the party congress as a regular delegate with his wife Sivi, supported Justice Minister Christoffer Taxell's (Swedish People's Party) efforts to reform the constitution. If the reform demands pertaining to the presidential elections had been left on the shelf in the present atmosphere, politicians would have been accused of breaking election promises. Jansson considered it easier to set a limit on presidential terms.

In spite of the favorable atmosphere at the congress policies and the party machinery were subjected to slight criticism. Ralf Grahn was amazed at "what we are doing here since even the central office has announced that the leadership will be reelected".

According to John Erickson of the youth section the making of policy is like selling cars. Therefore, politicians are like one another just like cars.

Politics is a technical system far from reality. Decisions are made with the help of institutions as technical decisions. Therefore, the people are critical of politicians, stated Erickson.

Center-Liberal Merger Causes Concern

Helsinki HELSINGIN SANOMAT in Finnish 7 Jun 82 p 13

[Article by Ritva Remes: "Monopolies Cause Unemployment"]

[Text] Kemio--The monopolies and the forces of the market cause unemployment and inflation, stated Professor Erik Allardt in Kemio on Sunday. Allardt, who spoke at the RKP congress, discussed the theme of work and employment.

According to Allardt prices, wages, taxes, and employment previously kept pace with the fluctuating markets. The situation has changed since the large monopolies have begun to control the situation. The monopolies either have no competition or the competitive situation is so stiff that it is improved by means of technology.

Allardt compared the monopolies to the growing power of the trade union movement. The monopolies as well as the labor market organizations can freely determine prices and wages. According to Allardt the only restraining force in the labor market organizations is the wisdom or the strong control of their own leadership.

Allardt began the deliberation of the content of work with the ancient Greeks, who liberated free citizens from heavy manual labor for more refined endeavors by means of slavery. At that time liberation from work was a privilege.

Today the situation is different. Work -- and a lot of work -- has become the privilege of those who have a good standard of living.

In Allardt's opinion there is reason to ask whether the 200-year dream that machinery will replace the work of humans is good or bad.

Finns Love Work

One problem according to Allardt is that we live in a society which practically speaking is built on the concept of the imperativeness and blessedness of work. Opinion polls indicate that Finns place more importance on work than the citizens of other countries.

For example, in Sweden 17 percent of the men consider work to be the most important content of life. Among Finns between the ages of 18 and 55, 51 percent emphasize the primary importance of work. The corresponding figure for Finnish women is 39 percent.

Limits on Power of Labor Ministry

MP Boris Renlund, who delivered the RKP's keynote speech, proposed that limits be placed on the power of the Ministry of Labor. Renlund criticized the Labor Ministry for the fact that its powerful centralized leadership is an obstacle to available employment measures.

In Renlund's opinion it would be more effective to give more power to local decisionmakers who understand the conditions of their own areas.

In the general discussion the party rank and file discussed employment from trade with developing countries to bureaucracy.

Elisabeth Rehn accused the bureaucrats of frequently not even have any job experience even though they affect the job markets with their decisions. In Bjorn Taxell's opinion aid to developing countries would increase employment throughout the whole world.

Bourgeois Government a Formality

After a day's negotiations a position on government policy was appended to the resolution issued by the congress. Government policy was not mentioned in the original proposal for a resolution.

A government stand was the consequence of an exchange of words between Chairman Par Stenback and the representative of the rightwing, Vice Chairman Ingvar S. Melin. In his opening speech Stenback opposed the idea of a joint bourgeois government. Stenback considered that a bourgeois government would feed the power of the Social Democrats and place the SDP in a one-party government similar to those in the other Nordic countries.

Stenback was opposed by Ingvar S. Melin, according to whom a Social Democratic Party in opposition during a bourgeois government would lose support. According to Melin a bourgeois government would bring about a balance: a Social Democratic president -- a bourgeois government.

The result of the negotiations between Stenback and Melin was a government position, according to which the RKP will strive for a broad coalition government. According to the resolution its borders would extend "beyond the political center". A bourgeois alternative cannot be precluded if election results secure such an opportunity. However, the condition is that a bourgeois government be capable of functioning and not cause difficulties in the decisionmaking process.

As the final touch on an even-tempered and calm meeting the RKP reelected its party leadership. Par Stenback's, Paivi Hirsimaki's, Hakan Malmi's, and Ingvar S. Melin's election was so unanimous that it was accomplished by the mere pounding of a gavel. The party leadership rose to bow to the membership and did not even receive the customary bouquets of roses.

Party Hopes To Attract Defecting Liberals

Helsinki HELSINGIN SANOMAT in Finnish 7 Jun 82 p 13

[Article by Ritva Remes: "RKP in the Rose Garden"]

[Text] Kemio--The Swedish People's Party is dreaming the sweet dreams of a peasant boy in the rose garden of a princess. The RKP is dreaming that some of the stars from the disintegrating Liberal People's Party will fall into its dipper.

Even though it is believed that the vast majority of the Liberals will support the Conservative Party after the merger with the Center Party, the RKP believes it will be the last spiritual home for liberal thinkers looking for a party.

Indeed, the thinking in the RKP is liberal to a certain extent. The party encompasses leftwing and rightwing members, wage earners, religious groups, pacifists, feminists, environmentalists, and militarists.

However, the disadvantage for the RKP is its relationship with the Center Party, hanging on the government apron strings of the Center Party. The RKP is also included in the centrist commission, in which it will occupy an ever increasing solitary position after the merger of the Center Party and the Liberal People's Party.

The RKP will now have to make a more forceful effort than before on behalf of its own policies and outlooks. The RKP has already chosen its own tasks in this effort: it has adopted the role of a conciliator in conflicts between the left and the center. When the SDP proposes one thing and the Center Party another, the RKP tries to find a middle ground between the two.

On the other hand, the RKP does not have any visible concerns. The party's support is ensured by a strong language base, it is not faced with the kind of decline the Liberal People's Party is facing. In a shrinking center the RKP also has its own trump card as a supporter of the Center Party, which has helped the party to push through the objectives of its constituency at the proper times.

Naturally, the party has its own concerns about its language base. The Swedish-speaking segment of the population is continually declining. In the parliament it has been manifested in a shrinking parliamentary faction at the rate of a couple MP's per decade. Its support has dropped by half since its 8-percent support rating in the 1950's. In the last parliamentary elections the RKP received 4.2 percent of the votes.

As a counterbalance to its shrinking constituency the RKP has attempted to extend its wings to cover a segment of the Finnish-speaking population. The RKP, which praised its ministers (foreign and defense ministers) and the whole party in Kemio, believes more in expansion toward the Finnish-speaking population than in the assumption that the Conservative Party, which has declared itself to be bilingual, will snap up the Swedish-speaking population.

The only definite concern for the RKP is the Koivisto era and the development of his party. Will the Conservative Party and the Social Democrats find one another? Will the RKP still be needed in the government?

Even in a new situation the RKP has a ready answer: any group is acceptable as long as the Communists can be avoided. Or as Chairman Par Stenback stated a year ago: "If the Conservative Party and the Center Party find each other, conflicts will be a certainty and the RKP will be needed as a mediator."

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CSO: 3107/136

GROUP OF LIBERALS OPPOSED TO CENTER MERGER FORM NEW PARTY

Helsinki HELSINGIN SANOMAT in Finnish 6 Jun 82 p 6

[Article: "Dissident Liberals Form Party"]

[Text] A small group of Liberals opposed to the merger with the Center Party established their own association in Helsinki on Saturday. The association was named the Progressive League.

The Progressive League does not intend to register itself in the party registry, which would require the signatures of 5,000 supporters. However, the faction intends to nominate its own candidates in the next parliamentary elections.

The Progressive League will try to appeal to the so-called green movements. Environmentalism, soft technology, and other "soft" alternatives as well as the peace movement will occupy a central position in the objectives of the organization. The Progressive League also states that it will preserve the best traditions of the Liberals.

The Progressive League is emphasizing its exceptional nature among regular political parties by the fact that no chairman will be elected for the organization. The league will be directed by a 17-member governing council, which will be elected on Saturday. This council will remain in office only until October. The council will elect a rotating chairman from among its membership.

The difference from other parties is also emphasized by avoiding excessively restrictive programs -- an attempt will be made to resolve issues one at a time. The Progressive League will not allow possible MP's to sit in parliament for more than two terms "in order to prevent career politicians".

Even though there will be no official leaders, former MP and Minister Seppo Westerlund of the LKP, who was also elected to the council, directed the transactions at the founding meeting. Other prominent figures in the movement are local politician Eila Aro of the LKP from Espoo and section chief Kaunu Mikkola from Helsinki, among others.

There were 35 people -- primarily dissident Liberals from the Helsinki area -- at the meeting to establish the league at the Helkan Kartano Hotel in Helsinki. Also present was the usual handful of people interested in new parties, politically homeless individual thinkers.

LEROY GIVES PCF ANALYSIS OF YEAR, FUTURE PLANS

Paris HUMANITE-DIMANCHE in French 7 May 82 p 5

[Article by Roland Leroy: "This Anniversary Is a Shared Blessing"]

[Text] This week a series of HUMANITE-DIMANCHE issues intended to mark the anniversary of Francois Mitterrand's election on 10 May and the formation of a Socialist government including Communist ministers on 23 June, begins with an interview with the prime minister and a preliminary report. This anniversary is a shared blessing.

We ourselves did our part. The Communists' long struggle for measures to enable France to emerge from crisis broadened awareness of the need for and possibility of change. The 4.5 million votes for Georges Marchais in the first round were decisive in Giscard d'Estaing's defeat.

The results are also shared by the architects of the 1981 victory. Some things have been undertaken, many others remain to be done. This is only possible through unity. This is why the French Communist Party did everything possible to make 1 May a day of unity, so that those who support change would demonstrate together for the implementation of the policy decided on a year ago.

The number of joint demonstrations in France and the big success in Paris and elsewhere of demonstrations by the CGT, which fought to the finish for unity, show that this is indeed the will of the workers.

One year later, the complicated nature of the situation still reinforces our determination to pursue, in the majority, in the government, our actions to utilize all the possibilities which are ours.

One year ago, the status was that the majority had exercised power without sharing it for 23 years, to which was added the 11 preceding years when the Communists had been kept out of the government. The disastrous consequences were not halted last May, even less so since management and the Right are stubbornly opposing the new policy, with all the means still available to them.

However, things have changed appreciably in France. Some measures have enabled improvements for the most disadvantaged. Others constitute indepth structural reforms which could permit a recovery through better and more

democratic control of the economy and which create opportunities for workers to be involved in the life of the enterprises of the nation. This is true of decentralization and nationalizations.

Besides, active worker participation has been necessary to satisfy legitimate and realistic claims.

Thus, in many places workers' struggles were necessary to have sanctions against union activists lifted as--thanks to the action of Communist members of the National Assembly--the law on amnesty provided.

In particular, it took a strong workers' movement inspired by the CGT for the 39-hour workweek to be implemented without decreasing wages.

However, many people feel they are running up against a wall when they see that problems as serious as unemployment are not settled. Far from prompting us to be passive or to give up, this discovery commits us to action.

A great hope for new policy sprang up last year, and this hope remains. We Communists contributed to its creation and want it to be satisfied. But, we must remember the conditions under which the victory was achieved to really be able to assess its tremendous possibilities and real limitations.

When we decided to vote for Francois Mitterrand in the second round of the presidential election, when we decided to join the unified Left administration, we did not hesitate at all because these decisions were an irrevocable strategic choice: the Communists want the construction in France of a French-style socialism established by democratic means, at all times respecting the will of the people.

The possibilities on the road to a society of justice, new growth, freedom and cultural renaissance are therefore enormous.

The people of France chose a new policy; they got rid of the old policy. However, they did not adopt all the solutions that we proposed. The resources available to implement this policy are considerable: a government with Communist ministers for the first time in 35 years, a tremendous leftwing majority. However, these resources have limits: There are 4 Communist ministers out of more than 40 in the administration. Consequently, it is within this context that we are developing our actions.

We will not leave the workers in uncertainty; we will not do management and the Right the favor of turning our backs on the hopes of the people.

Giscard, Gattaz, Labbe and Peyrefitte are all outdoing one another in judging the president of the Republic, the government, and the majority to be "illegitimate." All of them are hoping for the departure of the Communist ministers.

On the other hand, even the workers who seem impatient now would not forgive us tomorrow for giving up today. They could rightly reproach us for having deprived them of our power and our militancy to answer their hopes.

This is why we are staying the same. As Georges Ma
"We are neither 'yes-yessers' nor grumbling critics

We support the government's positive measures. Whe
quate or negative, we say so--never to undermine or
always to move forward and be constructive.

This is the "ambitious challenge" to our partners
issued at our 24th Congress. We want to be the mos
loyal and the most united in the service of workers

This spirit inspires us in the struggle for employ

We are not among those who would claim that certain
business do not need to be enacted in order to revi
these measures cannot be enacted without a guarante
used for new investment.

We want the national economy to be given new impetu
increase in the SMIC [Interoccupational Minimum Gro
for dependents has permitted a moderate economic re
Today there must be choices; in our opinion, priori
wages, to the struggle against social inequities, t
professional training and worker qualification, and

I will take information as another example. Under
that we want, information will be free and varied,
We are fighting for this already. So the Communist
fighting against certain provisions of the draft le
media are doing it because we want to save French t
from the uniform greyness of a political and ideolo
other hand, we want to establish conditions under w
de entralized, democratized public service able to
utilize all the possibilities of scientific, techn
developments.

The same goes for the written word. Currently, a m
can develop his empire, absorb papers, reshape them
and own several papers nationally as well as region
ize them. This is how the Hersant monopoly continu
The French press, whose great tradition is marked b
chais and Jaures, for example, and which experie
at the time of the liberation, must make a comeback
varied as the life and aspirations of our people w
and in the future.

The same thing inspires us with regard to the issue
We have only two concerns in this area: on the one
interest of France and of peace; and, on the other
who want uncontested disarmament.

To all those who want the decision made by France a
through to the end, we say: "Do not stand aside fr
move toward it by supporting our press, fighting fo
working with the Communists."

MITTERRAND 29 JUNE PRESS CONFERENCE

AB051423 Paris Diplomatic Information Service in French 1105 GMT 5 Jul 82

[Press conference by French President Francois Mitterrand at the end of the Brussels European Council Meeting on 29 June 1982]

[Text] Ladies and gentlemen, before returning to Paris, I decided to meet you, not because I have special declarations to make to you but rather to try to go according to tradition by talking especially to French journalists on this occasion because it is the duty of the current chairman of the EEC Council to report on the conference personally.

That is that: I am listening to you if you need complementary information, especially on the French side.

[Question] Concerning the declaration on the Middle East, we have a declaration which makes no mention of sanctions against Israel and almost no condemnation. Do you think that this will serve any purpose?

[Answer] I think President Martens has spoken to you on this issue.... Not yet.... Then I am sorry to hear this. Evidently, the session ended very late in the morning. I am therefore reluctant to precede the president whose duty it is to speak on this. However, put the question to him and you will know that he is the one to answer this question. However, it is not as empty of substance as you believe at this moment.

[Question] Is the French delegation satisfied with this text on the Middle East?

[Answer] The text which was adopted, and on which we, the French, have worked hard to put forward our positions, was so changed that it could respond to our aspirations. We dislike a text covered with principles repeated a hundred times over on the appropriate solutions for the restoration of equilibrium in the Middle East, and that is what we were afraid of after the first reading. The final text corresponds fairly with what we thought, that is to say the text discusses the current situation--the Beirut issue--and also refers to the French resolution submitted to the security council. In it we affirmed the need for the foreign armed forces stationed in Lebanon to leave Beirut in order to enable the government of Lebanon to exercise control. In this

case, with the help of international forces, and this must occur with the respect of the parties concerned so that the solution does not degenerate into the crushing of each other or humiliation. As you know, if you had studied the French draft resolution in the security council--which you have--everything is in the text in question.

[Question] Mr President, will you please give us details of the proposals made to the community on the topic of expansion?

[Answer] As you know, on the topic of expansion, France has always said that it does not see anything wrong with the admission of Spain and Portugal into the common market. Rather, on the political level, this is advantageous for the strengthening of these democracies. After all, historically, geographically and culturally, they both belong to Europe, as do we.

There are economic, agricultural and industrial problems. We should not forget those of the fishing industry. There are the problems of immigration too. These problems must be treated with much seriousness. That is why we have asked the commission to take stock of the concrete problems likely to appear in the case of the expansion of the community as an institution; for example, representation, the right to veto and everything that touches on the treaty of Rome, on the implications that followed and also on the whole of the problems facing each member state of the community. This stocktaking is necessary for us--the French--for us to know what is being discussed. This said, we continue to believe that if a positive answer is given to all these questions, as I said in Madrid, then the sooner the better. But we cannot avoid talking about these questions. The political answer is not sufficient.

[Question] Mr President, is this evaluation exercise a part of the negotiations for the membership of Spain and Portugal, and does it have the same effect on the Portuguese and on the Spanish processes?

[Answer] You should put this question to the president of the council too. In Portugal, France has already announced that it was no obstacle to the admission of this country. Concerning Spain, I also have said that expansion is welcome; it should be tackled in such a way that it does not disturb both the internal stability of the community and the primordial interests of a country like France. But we should not treat the simultaneous entry of these two countries as a condition. Let us say, it is out of sheer respect for national dignities, that many people welcome it, and this is a respectable worry.

[Question] Mr President, is France satisfied with the measures or suggestions made on the U.S. position concerning the European economy?

[Answer] This has been a long process but we have arrived at it. In the first place, it was more a question of tone than of a fundamental issue because fundamentally, the whole community cannot accept the behavior of the United States in two aspects:

The first is: if we meet as we did recently at the Versailles Summit to elaborate what could be called a compromise--an inevitable conclusion for this kind of gathering--it is necessary that the points of this compromise be respected by those who sign it--those who subscribe to it. It is important that these points not just constitute a pretext for propaganda or simply a means of avoiding the difficulties and then those involved immediately sit back as if they have not undertaken any commitment. This is the situation in which the European countries, Canada and Japan have found themselves as compared with the United States. The second point to be made is that it is not acceptable that the United States, which for 3 days participated in this summit meeting with its partners, a few days after that, without informing its partners, takes sanctions in the field of export credits, imports of goods produced with public funds or with contributions from public funds and so forth.... There are two shortcomings that I consider serious in the solidarity of the countries participating in this summit. This should not be allowed to happen again. It is impossible! What I am concerned about is that it happened once in Ottawa, a second time in Versailles and it was the same thing that had happened before.... We cannot content ourselves with transforming these discussions into a means of domestic propaganda for each of the participants; otherwise, it is not worth the trouble; there is no need taking it into account.

[Question] Can one now say that the ball is in the court of Americans and that an initiative should be expected from them in order to resume the negotiations, the dialogue?

[Answer] The dialogue was not broken off. First, there was the dialogue at Versailles, which resulted in a text, a positive one in many respects. I have in mind in particular the rates of exchange, the desire to create an embryonic system between the European currency unit, the yen and the dollar. All these points were written down and understood. [words indistinct] The United States has made a unilateral move to deprive that declaration of part of its scope, which is unacceptable. Secondly, there is a series of problems that were not examined at Versailles and on which the United States has taken exacting, oppressive, unjust and dangerous measures. Thus creating a true but disguised protectionism aimed at involving the European community in a series of moves, a sort of permanent sanction, a hardening attitude with regard to the trade links with the eastern bloc. This is inconvenient to the EEC partners, so the dialogue is not interrupted. Let us say that in that dialogue there has been a little too much of American monologue. I am among those who believe--as it was agreed--that the community must use the means at its disposal in order to act with rapidity and efficiency so that it will never lag behind in the trade contest. It was useful to tell the international opinion that the community cannot accept the attitude of our American partner. Of course, I said this in stronger words than those used in the text; other things I said with far less strong words. But in any case, you will understand this as you are experienced in this sphere.

[Question] Mr President, still on the same issue, did you discuss what action should be taken should the United States not change its present attitude? If you did not, what is your opinion on this point?

[Answer] You know, when you make a move, you do not act immediately as if it had fallen through. Let us follow up this move. Then we will see what the facts will be. I know that a game of chess can only be won if one knows to a degree what moves will be made some hours later. In this case, international politics implies minimum knowledge of this game. But I do not want to examine now what would happen if today's proposals fell through.

[Question] Mr President, still on the same matter: there was some suggestion that another Versailles-like summit, which is expected to be held in the United States next year, should eventually not take place if the United States does not display a more open attitude. Was the suggestion agreed on?

[Answer] No, that is my own point of view. I hold the view that we had better not make a useless (?decision). It is as simple as that.

[Question] Mr President, have you not been disappointed in view of the lack of a European consensus on your proposals aimed at solving the Middle East crisis?

[Answer] Oh no. I am sorry to say you misunderstood me. The text adopted is fully satisfactory to me.

[Question] With regard to the PLO issue, it seems that there was a lot of tergiversation and that not much was....

[Answer] Look, you are mixing everything. Forgive me for telling you. On this issue we might be led astray.... But it is always achieved with the greatest pains. Do you know of an easy birth? No. It is always very difficult. The essential thing is to arrive at it. The text which emerged from our deliberations and on which President Martens will brief you is fully satisfactory to me, since I have accepted it.

[Question] Mr President, coming back to the role of the PLO as recognized by the ten, can you explain what the newly adopted text contributes as compared to the declaration....

[Answer] The chairman will brief you on this. What I can say, in self defense I must add, is that I was expecting especially to see the French journalists who I wished to meet before my departure, but there has been a change of plans and I was not thinking that I would have to start this kind of explanation. Therefore I do not want to jump into making any analysis. You are acquainted with the Venice declaration, you know what I accepted and what I refused to accept with respect to this declaration, and my viewpoint at the Luxembourg European Summit. For those of you who were present, I denied the Venice decision a certain dimension by the fact that it proposed a global approach to the solution of conflict as the only method, whereas I supported and still support a gradual, step-by-step approach toward global negotiations. Therefore, it was mainly a divergence of viewpoint as to the method. But on the issue of the recognition of the sides--in this case parties in conflict--and their being peoples who have the right to a fatherland and whose rights should be recognized; there is no divergence of opinion between us. I will

even say I am a step ahead of most of them because I believe I am one of the very few to have said that the Palestinian people should have structures within which they would build institutions of their choice.

[Question] Mr President, even though European births are a bit difficult, this one has been particularly so because it was expected to come off at about 11 o'clock or noon, whereas it took place at 1600.

[Answer] It has always been so. No, no, the session ended at 1350, after which there was lunch.

[Question] Was it the midwife or baby that prolonged the delivery?

[Answer] Have you ever lagged behind by 1 week?

[Question] To be more serious, some topics were said to have come up for discussion over which there were a lot of clashes. What were these subjects of discussion?

[Answer] No, one can't really say that there was a delay. Discussions are always long; they were not difficult. I dare say that this is the summit which appeared to have the least divergences because consensus was reached quite easily. What remained was the formulation, vocabulary and caution of one another, but agreement was quite easily reached on the attitude to adopt with regard to the Middle East and toward the United States of America. Over these two points, which were, so to say, the two principal points of the debate, there were no basic difficulties that could not be quickly surmounted. A session that starts at 1030 and ends at 1330 and that has to deal with two texts of this importance in addition to some others, is not long. Do not worry about the time period. I am not trying to coat any pill with sugar, but I am simply saying that the discussions were not difficult.

[Question indistinct]

[Answer] At present, according to the dispatches which I have read, it seems that the decisions made by the PLO are not yet known exactly. On this issue too, I will guard against making assumptions. Naturally France will in any case accomplish its humanitarian duty--at least its humanitarian and its international duty at most, consisting of saving human lives and ensuring that what will happen should not be irreparable.

[Question] Mr President, has any decision been made on the embargo on arms sales to Israel?

[Answer] The [EC] president will tell you. As a matter of fact, no text was voted. But the president is all the same empowered to brief you on the issue.

[Question] Mr President, France and Egypt have reportedly held consultations aimed at preparing a joint plan for the PLO to pull out of Beirut honorably.

[Answer] You are simply too hasty. The truth is that there are contacts. The truth is that when I leave you in 2 minutes, I will go to Paris, and on arrival will receive Butrus Ghali, bearer of a message from President Mubarak. There is bound to be something in that message and I certainly have an idea of its content. The truth is that the views of Egypt and France are very similar. But as I do not know the exact content of the message, I will wait until I have read it before I can make any comments.

Thank you ladies and gentlemen.

CSO: 3100/801

ZIGZAG PCF POLICY, NEW DEMANDS WHILE IN GOVERNMENT SEEN

Paris LE FIGARO in French 25 May 82 pp 1, 7

[Article by Pierre Thibon: "The PCF: The Derelicts of the Great Social Upheaval"]

[Text] For a dozen years the PCF has attempted a successive series of strategies and political "lines": until 1977, the union of the left in a joint program with the PSF [Socialist Party]; from 1977 to 1981 the break with the PS and the return to doctrinal intransigence; since 1981, the more or less grumbling acceptance of a new union of the left on terms dictated by the PS.

These strategies or these political lines have had two characteristics. The first is that each of them blithely contradicts the preceding one, which does not prevent the party leadership from stating that, dialectically, the policy followed is distinguished by its continuity and that this leadership has always known how to discern the correct path.

The second is that these successive strategies have always led to failure for the PCF, always outstripped with an ever-increasing margin by its adversarially-competitor, the PSF: in 1978, the PCF obtained in the elections 20.6 percent of the votes cast, while the PSF and the MRG [Left Radical Movement] received 24.9 percent, whereas 5 years earlier, in 1973, the PCF with 21.4 percent outranked the PS-MRG coalition, which obtained 20.7 percent; in the first round of the presidential election last year, Mr Mitterrand 25.8 percent, Mr Marchais 15.3 percent; in the June 1981 elections, PCF 16.2 percent, PSF 37.5 percent; in the district elections this spring: PSF 29.9 percent, PCF 15.9 percent.

Thus, in whichever way it presents itself, as the big bad wolf or as the idyllic shepherd-boy, the PCF sees the size of its electorate diminish to the point where--supreme humiliation--the socialist party is reduced to becoming concerned about this substantial loss which is harmful to the entire majority coalition, and is seeking ways to put it to rights.

One can understand that this is enough for the leaders of the PCF to lose a little of the superb assurance that they displayed, at least outwardly, at each 180-degree turn of the party by asserting that this time, this was it, and that success was certain.

As a matter of fact, for some time already, but above all since the district elections of 14 and 21 March, it has seemed as though the communist party has started to seriously ask itself questions about itself and has not yet found any answer. What is new, however, is precisely that it seems to be admitting that it has not yet found that answer.

In this regard, the "notebook of impressions" kept by Claude Cabanes at the expanded Central Committee meeting the other week, and printed in L'HUMANITE of 19 May, is very interesting. It appears from the notebook that the type of "brainstorming" to which the members of the Central Committee have devoted themselves has led more to condemning certainties that were too categorical than to discovering new certainties. To be sure, the PCF has not reached Montaigne's "What do I know?"; far from it, but it is beginning to admit that it does not know everything. Here, for example, are some of the impressions gathered by Mr Cabanes: "Neither the party nor the communists are infallible. We will have to feel our way, seek, try. Step by step, on the ground, in life with the others. Our certainties could previously have been intolerance; this chapter is closed".... "The communists have lost the traditional framework of their thinking; it has not been replaced by another precise framework. Some people think then that there can no longer be any communist thinking that is sure of itself."

There is a song entitled: "The Derelicts of the Early Hours of the Morning"; the song sung by some of the members of this Central Committee could well have been entitled "The Derelicts of the Late Evening" [the translation for "late evening" also in French means "great social upheaval"]. Mr Cabanes notes, in fact, that "the scheme of the 'great social upheaval' persists, confusedly, through ignorance of the changes in society and of the nature of the crisis: the delay has ossified the revolutionary mentality."

Roland Leroy, who, however, passes for one of the front-rank men in the hard-line section of the PCF, stated to FRANCE-INTER last Tuesday: "One must learn new things and do away with the old. One of the old things the communists must do away with is the mania for being dogmatic about everything. For proclaiming everywhere our truth on everything. For fighting against any flag displayed for any reason, for taking a position on everything, for deciding everything for ever."

In other words, the PCF seems to be discovering the virtues--and perhaps also the advantages--of fuzziness and appears determined to become an apprentice to this art. There is also some talk of contacts being discretely resumed by PCF officials with such black sheep as, for example, Jean Elleinstein. In addition, several members of the party have taken part, without being bothered (at least for the moment), in a meeting-debate with Henri Fiszbin.

Everything is happening now, then, as though in its current state the communist party were tolerating contacts that in other times it would have denounced, spitting fire and flames: democratic centralism is decidedly not what it used to be. The result of this, essentially, is, as we have seen, the PCF questioning itself: one is obviously less inclined toward sectarianism when one has doubts oneself. But this also very probably has to do with tactical concerns.

An immediate concern: the PCF wants to get back on the polls, on the best terms for itself, jointly with the PSF in view of the municipal elections. This will be difficult because the socialists, of course, strong in their current position, will not easily agree to the PCF keeping all the positions it had in 1977 at a time when the power relationships was different. Thus, there is a need for the PCF to show its partner that it is a democratic, tolerant party so as not to give the socialist cravings any moral justification.

A more long-term concern: the PCF has seen how beneficial it was for the Socialist Party to express its various tendencies, which allowed it to gather votes from among the most doctrinary and hard-line Marxists as well as from the most opportunist and wooly social-democrats. The PCF can certainly never become a "catch-all party" like its partner, nor tolerate the existence of organized trends in its midst, but perhaps it is beginning to say to itself that it also could use the fuzziness that has served the PSF so well: leading the state and the government, the PSF is now forced to shoulder all the responsibilities, whereas the PCF, a mere passenger, can assume those it deems profitable and can erase the others.

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CSO: 3100/722

MERY, OTHERS ON WORLD WAR, DEFENSE POLICY DANGERS

Paris LE FIGARO in French 25 May 82 p 7

[Article by Olivier Pognon: "Reflexions on a World War at the Foundation of the Future Conference"]

[Text] How to avoid the dangers of a world war? By showing oneself ready to have one. This was the joint conclusion reached by the participants in the conference organized yesterday at the National Assembly by the Foundation of the Future, led by Jacques Baumel, RPR [Rally for the Republic] deputy from Hauts-de-Seine. General Mery, former chief of general staff of the armed forces, advocated "a real moral rearmament of the West" which would permit it to "react with the appropriate strength to any action likely to harm its safety," while Michel Aurillac, RPR deputy, observed that those who prefer to be "Red rather than dead" are in danger of being, "like shellfish, both at the same time." As for Jacques Baumel, he wondered whether the world has not already entered into a world war, "a planetary conflict of a new type, combining ideological confrontations, misinformation, political or social destabilization, terrorism and subversion, interventions in peripheral theatres of operation by specially placed accomplices" and whether "the West is prepared to face this new type of conflict."

"Is a third world war possible?" This was the question that the members of this conference attempted to answer. A third world war, all agreed, would be armed conflict between the Soviet bloc on the one hand and the Western world on the other; a conflict in which Europe would be one of the privileged battlefields; a conflict, finally, in which nuclear weapons would be used.

A preliminary observation is called for: never in the history of man have new weapons been manufactured and accumulated without being made use of one day. Furthermore, there is a "fundamental rivalry" between two groups of nations which have two, opposed types of society to develop and defend, and contradictory interests in most areas of the world. This is what caused General Mery to say that such a conflict is "theoretically and technically possible." However, the former chief of general staff thinks it "strategically not very probable",

for "the excessive vulnerability of the potential adversaries tends to make the risk greater than the stakes."

Finally, General Mery believes that the risk of conflict is "psychologically and politically uncertain" since several elements are "capable of intervening to upset the strategic and technical facts of the problem." An error in calculation by one of the protagonists, especially the one leading an offensive strategy, "a flight forward" that could be attempted by "the most monolithic group (the Soviet group) in order to "forestall a process of internal collapse," and finally, a weakening of the cohesion in the West.

The Danger of Error

As for Michael Aurillac, he observed that the West is completely dominated by a defensive attitude and he deduced from that that "the third world war will never be the result of a preventive attack by the Atlantic Alliance against the Warsaw Pact." Thus, according to the RPR deputy, an attack by the Soviet bloc will give it the benefit "if not always of surprise, at least of the initiative of the conventional offensive and of making the first nuclear strike."

Nevertheless, it is not clear that the attack would be "tomorrow or even the day after tomorrow, because "the Soviet Union is not governed by madmen nor is it determined to trigger off something irrevocable." The danger, according to Michel Aurillac, comes from the fact that the Soviet oligarchy may make errors, in particular an error in interpreting the capacity and above all the desire for resistance in democratic nations. Thus, the necessity of sending this oligarchy "intelligible signals, of speaking to it in clear terms." Thus, above all, the danger represented by the rise in pacifism in Western public opinion.

This exclusively defensive attitude that prevails in the West, as well as the theory of "not being the first to use nuclear weapons," currently fashionable in the United States, seems very dangerous to Francois de Rose, the former NATO ambassador. "What counts, in fact," he maintained, "in a crisis, is to be capable of saying no at any given time." To refuse in principle to be the first to use nuclear weapons is tantamount to permitting the Soviet Union to "instigate devastations in Europe with no risk."

Bertrand Goldschmidt, one of the fathers of the French strike force, is researching methods to prevent the dissemination of nuclear weapons, but, according to him, this objective would in no way prevent the development of nuclear peace. On the contrary, he finds it indispensable.

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CSO: 3100

CURRENT PASOK-KKE CLASH ANALYZED

Athens ANDI in Greek No 206, 28 May 82 pp 14-15

[Article by Stelios Kouloulou]

[Excerpts] A series of official resolutions, communiques and statements, but also open struggles in mass areas, particularly that of labor, have fed questions about a PASOK-KKE clash. Is this a clash which could lead to a definite break in the two parties' existing relations, or is it simply efforts to lay party boundaries and gain some "points" and positions in view of municipal elections?

KKE attacked first. The official outbreak of "hostilities" occurred in March, with the full Central Committee [KE] membership. According to its resolutions, government policy "is characterized by breaches of promise and contradictions and, beyond certain measures of a general democratic nature, it is not promoting the change which the country needs and which is ripe in the minds of the majority of Greek people.... The KKE, criticizing government policy in total, is opposed to its general orientation because it does not promote real change." The resolution ends: "The party's primary task is to contribute decisively to coalition of the great majority of people, along with PASOK adherents, around the goals of real change" and to development of an "organized popular movement" which "can turn, in one degree or another, government policy in the direction of real change."*

Attack On Autonomy

KKE cadres observed that, despite its aggressive tone, this resolution has essentially a defensive nature. That is, its purpose is to clarify KKE policy in new circumstances and, in this way, to "demarcate" the party from PASOK and strengthen its inner cohesiveness. As we had pointed out in a former ANDI article, KKE is currently facing two problems which are closely connected. On one hand, the indications from recalculations in mass areas in the period after the elections show a stagnation in the party's influence which is verified partially by the course of recruitments into KKE and KNE [Greek Communist Youth], but also sales of RIZOSPASTIS. While the KKE's

* Excerpts from the KOMEP [Communist Review], March 1982

anti-rightist direction under ND governments was able--though it was a bit elaborate--to increase by stages its influence and forces, a more refined and theoretically cohesive policy is required today.

It is characteristic that, from a standpoint of leadership, in recent internal KKE discussions, cadres expressing diversified perceptions are beginning to be accused of being influenced by "bourgeois ideology." More specifically, it is being asserted that the "blunting of class oppositions" due to governing by a party such as PASOK facilitates "dissemination of reformist ideas" to the people, which, "in any case, has its reverberation" also in the party. In fact, in intellectual organizations, there is the classic completion that intellectuals are less stable in terms of class and therefore more prone to bourgeois ideology....

Despite all this, communication of the KE's positions for the Eleventh KKE Congress has been delayed more than normal--a further indication of the problems which the leadership has to deal with at present. From the facts which we have had up to now at our disposal, it seems that, in any case, the "positions" will not escape the contradictions and ambiguities which are present in the KKE's current policy.

It needs to be underlined that the resulting policy is often enough--despite other intentions or expediencies--consistent with KKE proclamations, such as, for example, the KKE's opposition to the course of Greek-U.S. relations. However, it is not adequate for articulation of another policy needed to follow, more or less critically, government initiatives....

PASOK "returned the ball," answering with the positions of the recent PASOK Central Committee Conference.

Many hurried to present these positions, and the intervening statements exchanged, as a decision of PASOK to demarcate itself from the leftists or to break off its relations with KKE. But examination of the government's recent behavior leads to the conclusion that PASOK has chosen the tactic of "counter-attacking when it is attacked"--counter-attacks which, as the conflict between the two parties over the Haig visit showed, can be "tough" and aggressive, and indirectly but clearly place under dispute the "motives" for KKE positions. It is obvious that PASOK, which has to deal with enough other problems, would not wish to take the initiative for "opening" a new front. On the contrary, among PASOK cadres the conviction prevails that the anticipated good course of Greek-Soviet relations will influence the KKE's behavior and "will mollify" its possible reactions on domestic issues.

Thus, PASOK seems to be orienting itself not towards a frontal clash with KKE, but to a tactic of "outmaneuvering" through government actions which will incorporate traditional demands of the Left, such as recognition of the National Resistance, democratization of the trade-union movement, etc.

All these are, of course, intentions...then there are the juxtapositions of a great extent which we saw on May Day or at the end of the Peace Run in the Olympic Stadium. In fact, at the KKE gathering in Athens, on the occasion of Haig's visit, groups of PASOK members or adherents participated with green flags....

But the municipal elections are approaching, K support its own candidate in Athens Municipality through RIZOSPASTIS, certain mayors whom it supports and whom it considers "successful." In a few indications not only about the course of PASOK-KKE about the influence of each party one year after change, according to KKE. Until then, apparently mainly to gain positions in the mass movements,

However, as is known, if you want peace, prepare

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CONCLUSIONS DRAWN FROM KKE-INTERIOR CONGRESS DECISIONS

Athens ANDI in Greek No 206, 28 May 82 pp 11-12

[Article by D. Psaltis]

[Excerpts] The KKE-Interior's decisive, critical and fundamental problems are being committed to the future. Its Third (Eleventh) Congress sanctioned positions expressed recently, dealt with questions of directions in this phase, went ahead with recomposition of the leadership, and expressed the intention and willingness to confront the designated problems.

There were no choices, like incision, which would have allowed it to form the prerequisites for a qualitative change and thus address itself to the Left with different terms. Nevertheless, despite the fact that basic political and ideological choices remain the same, the congress did progress to modification of directions, to problems of the party's physiognomy and construction, and to improvements in previous positions. The characteristic element of the final resolutions is the shifting and evolution in positions and viewpoints, but in such a way that they are placed among previous KKE-Interior choices as their continuation and further elaboration. Moreover, they are distinguished by the principle of "balances," on the basis of the viewpoints and perceptions formed after the elections, the effects from the Polish situation, and the relations which pre-existed and those which were formed in pre-congress proceedings, following the criticism engaged in and the frequently intense contestation of the previous leadership.

Many cadres express the opinion that the final resolutions do not correspond to the needs both for qualitative changes of a broader nature, which they consider necessary for the party's future course, and for cuts in its basic choices. In fact, they think that, on many points, the resolutions are more backward than positions and estimations in the text of the positions proposed before the congress by the Central Committee [KE]. However, note is taken of the improvement in positions on basic points, the greater clarity, and the congress' position on issues such as those of "existing socialism" and relations with the KKE.

At any rate, the resolutions include many modifying elements which differentiate the positions from previous KKE-Interior corresponding viewpoints. Despite the different viewpoints of traditional leading cadres also expressed at the congress, which were highly confrontational and full of personal

criticism at several points, the resolutions emerged with a feeling that all viewpoints were expressed and acrimonies were avoided, and a spirit of unity, so that there were no further problems nor radical disagreements between leading cadres in the congress' documents.

The new Central Committee, on which there are fairly many new cadres, expresses the partial recomposition of leading viewpoints in KKE-Interior, while at the same time maintaining the viewpoints and perceptions which existed in the previous KE. Irregardless of the composition and form which the new guidance will have--it is not yet known--the shifts and transfers in the KKE-Interior positions and choices do not indicate that the party's basic directions are changing, nor is another policy and practice, radically different from that known up to now, beginning in mass areas. In any case, it should be expected that a policy of "honest criticism" of PASOK from an "autonomous position" will be inaugurated, without this meaning a break with the KKE-Interior's previous stance versus PASOK. Questions of the KKE-Interior's physiognomy will also be stressed, which means that there will be modification of its stance versus KKE, but also probably a different placement in mass areas, which depends on the corresponding cadres in these areas.

There must still be a suspension of criticism with the characteristics which we referred to before in the trade union area.

The Third (Eleventh) KKE-Interior Congress can be characterized as a congress of partial shifts, expectation, and recomposition--shifts which occurred on certain positions and directions, expectation which the KKE-Interior continues to define versus the new government and PASOK, and recomposition which was expressed in the make-up of the Central Committee and the middle organs. Many of the problems broached at the congress remain. Nevertheless, a new inspiration emerged from the KKE-Interior congress. The difficulties from here on in are greater, although the party itself sets as an "indicator of hope" the 5.3 percent of the Europarlament, based on the 1.37 percent of the Chamber of Deputies.

The expression of willingness, however, does not make a leftist political organization capable of exercising a policy and practice which will allow it to have an active and real say in the journey for socialism, nor does it allow it to form relations and create political and ideological prerequisites for development of the Left and the application of a new policy.

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KARAMANLIS' INFLUENCE ON PASOK REPORTEDLY DIMINISHING

Athens EPIKAIRA in Greek No 723, 10 Jun 82 p 18

[Text] Seven months have already passed since A. Papandreou's party won the elections and the relations of the president of the republic with PASOK are showing a singularity--a singularity which lends itself, both constitutionally and politically, to investigation and cogitation. This is because the current state regulator is performing his job--or his "superpowers" as they were declared during voting of the 1975 constitution by PASOK as the opposition--without the support of the parliamentary majority.

It is true that seven years ago the charges concerning establishment of a "monarchical presidency" or "parliamentary monarchy" had been based on the suspicion that the "superpowers" of the president had been systematized according to the philosophy of the French Constitution, which couples in an indissoluble way the supreme authority's omnipotence with obtainment of a comfortable parliamentary majority. Contrary to these suspicions, it is being perceived today in political practice that the president's power can be uncoupled from the parliamentary majority and still function normally, at least until the time when a disagreement on a major political question between the two agents of the state emerges.

Irregardless of the balances of power provided by the Greek Constitution, the fact is, in any case, that a part of the electoral body is positively or negatively associating the PASOK government's policy with the possibilities of the state regulator exercising supervision or control.

"What Is Karamanlis Doing"

The question "What is Karamanlis doing?" which is usually asked by voters who disagree with specific government actions, is being heard ever more frequently and intensely. A few days ago, the same question, which surely had already "penetrated" the walls of the presidential mansion, was directly put to Karamanlis by a journalist he knows. The answer was approximately as follows: Of course I am trying to influence the course of the ship, not always successfully. Furthermore, in order to control the course of a ship, the captain must be on the vessel. And I, as everyone knows, have been off the vessel for two years now....

This statement, though expressed in a private discussion and unofficially, suggests the uneasiness of Mr. Karamanlis who realizes that the equilibrium of his relations with the current government is becoming continually more delicate and insecure.

Karamanlis-Papandreou Relations

His personal relations with the prime minister have not been disturbed, of course, and Mr. Papandreou continues to be particularly cordial to the president of the republic, who apparently is being consulted more often and on problems smaller than what is dictated by the constitution. The state regulator is maintaining adequate relations with most of the ministers, through whom he is trying to convey his experience in charting and exercising government policy.

The statement--at present--that he is "off the vessel" most probably means that his influence on the course of the government is becoming continually smaller. Though he is a positive recipient of presidential advice and admonitions, apparently Mr. Papandreou often deviates from suggestions or even breaks his word on intermediations to third parties of Mr. Karamanlis, intermediations which the prime minister himself had prompted. The same thing is very probably also happening with the ministers.

"Breaches of Faith"

The most common government explanation for these "breaches of faith" is that the final decisions are made with the collaboration of party organs and that, in this process, the opinion of the ministers, or even the prime minister, does not have a fixed nature.

Irregardless of whether this explanation corresponds to the truth or is a simple excuse, the fact is that the president's influence is reaching government "decision centers" with more and more difficulty.

Not having a parliamentary majority, the president is reasonable in being uneasy about the possibility of a disagreement with the government on a major question of domestic or foreign policy. Of course, the constitution provides an adequate outlet; in such a case, the presidential powers allow the supreme authority to fully exercise his regulative role. But the final judge of the disagreement--whether this ends in conducting a referendum or leads to dissolving the Chamber of Deputies--is the Greek people.

"In Force" Strength

For this reason, Mr. Karamanlis attributes special significance to the way in which public opinion perceives his role of "interpreting," correctly or mistakenly, his relations with the current government. He is even more interested in dispelling the impression that he is "being tolerant" in any way, when he could avert, or--even more--that he is espousing certain government actions which come into opposition, ideologically or politically, with a significant segment of the electoral base. Karamanlis' sensitivity in expressing

himself mainly in the direction of ND voters and towards the "in force" majority of the recent past is natural. From this area the current president draws his--also "in force"--strength, which is probably the only factor which PASOK counts in the eventuality of a break with the state regulator.

By necessity, however, in case of recourse to popular judgement, this strength will be implemented and expressed by a party agent. Mr. Karamanlis' persistence on the need for ND unity "to ensure a normal political life" specifically indicates his anxieties and ruminations about the uncertain future of his relations with the current government.

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OBSERVER: LEFT FACES SERIOUS PROBLEMS AFTER ELECTION DEFEAT

Reykjavik MORGUNBLADID in Icelandic 29 May 82 p 14

[Article by Bjorn Bjarnason]

[Text] The Independence Party has been the underdog in a vigorous political battle the last few terms. It has seemed normal and natural to the representatives of all the other parties that they could cover up their own problems by making accusations against the Independence Party. Actually it might be said that all the way up to the national conventions last autumn the Independence Party has stood up reasonably well to their attacks, which have put more emphasis on mudslinging rather than emphasizing the most important tasks of politicians to render trustworthy service to the nation, to solve sudden crises and to honorably report favorable as well as unfavorable information. The attacks on the Independence Party did not succeed; the party triumphed both in the urban and rural elections. Here we will not speak of the party's situation at this crossroads, but rather examine its opponents.

What did the Independence Party's opponents say before the elections about the results of a possible victory for the party?

Ulfar Thormodsson, election chairman of the People's Alliance, said the following in an interview with THJODVILJINN on May 20:

"We can well imagine that conservatism would gain a little, and the People's Alliance lose some of its following. Consider this kind of scenario: new attacks against the standard of living, stepped-up programs for bringing foreign corporations into the country, as well as the big-industry policy typical of conservatism--and last but not least, increased expansion and duties for the army on Midnesheidi."

Hannibalsson said the following in the editorial column of ALTHYDUBLADID on May 18:

"Which of the options should the voters choose? On the one hand, there is the option of bringing back the party unanimity of the Hallgrimsson crew in Reykjavik. That would amount to a political death warrant for Gunnar Thoroddsen and Albert Gudmundsson and their supporters."

The Progressive Party members grew wary when it came to the point of measuring the position of the government relative to the results of the elections: "...The results might not clarify what the position of the government is," said Thorarinn Thorarinnsson in TIMINN on May 16.

The People's Alliance was the big bone of contention, just as it has been so many times in recent years, since the voters have considered it the most significant opposition to the Independence Party. The "fill-in test" which we reprint here from the May 19 issue of THJODVILJINN shows in a nutshell what the People's Alliance emphasized in the elections. However, it not only shows the issues, but also a cross section of the reaction of People's Alliance supporters to the Women's Delegation.

This "fill-in test" gives a good picture of the big issues for the People's Alliance just before elections. But, on the other hand, it was the true desire of the party to wage the electoral wars on another basis. The party leadership of the People's Alliance had intended to make the electoral campaign into a campaign over living standards. That became clear in the statement of goals drawn up at the general meeting of the party's Workers Committee last April 25. The statement said, among other things: "Those salaried workers who support other parties than the People's Alliance in the elections this spring are actually helping to put their own enemies into power...The results of this election campaign will determine the results of our struggle for a decent standard of living." When this statement appeared in THJODVILJINN, it was particularly emphasized that present at that meeting in the leadership of the Workers Committee were Asmundur Stefannsson, president of the Socialist League of Iceland (ASI); Gudmundur J. Gudmundsson, head of the Icelandic Labor Unions; Benedikt Davidsson, head of the Union of Construction Workers; and Gudjon Jonsson, head of the Mining and Shipbuilding Union, to name a few.

The Icelandic Services Employees Union reacted to this goal statement by expressing to government arbitrators that discussions of living standards should be postponed until after election day, since it was not important for the influential men within ASI to come to an agreement before the votes had been counted. With this announcement, the labor leaders who supported the goal statement found themselves wearing two hats, and they wanted the option of foregoing the political supervision of the People's Alliance in this matter. After that, the election campaign of the People's Alliance took on another character, and finally the folks at THJODVILJINN were seen to have the best time of all at the Bilderberg meetings in Norway!

The goal statement of the Workers Committee of the People's Alliance still stands, however, and is fully valid now that the elections are over. This question ought to make us ask whether those who supported it are not liable to promote the goal statement with threats of strikes and more desperate actions. Whatever happens to the preelection explanations from the People's Alliance having to do with the danger of an Independence Party victory and its consequences, it is clear that the Icelandic Services Employees Union is of the same opinion now as it was before the elections; but it has fallen on hard times, on the other hand, in the ASI because of its new opinions and attitudes.

The People's Alliance did so poorly in the elections that the unforeseen consequences within its sanctuaries ought to be more sensitive than, for example, in the case of the Social Democrats. Although it probably will not happen (because the communist origin of the People's Alliance brings with it immense overriding power in the role of the party chairman), those who want to change policy in the People's Alliance will first have to get rid of Svavar Gestsson. Gestsson and Kjartan Johansson, the head of the Social Democrats, both experienced these elections as their first as party leaders. Both lost. Gestsson took a significant part in the campaign--he arranged, among other things, electoral press conferences in his office at the ministry--but Johansson did little or nothing. The Social Democratic Party is to some degree a less unanimous party than the People's Alliance, although that might seem odd; the Social Democrats depend more on support from nonmembers than the People's Alliance does.

There could be a turnover in the Social Democratic Party without getting rid of Johansson. On the other hand, a coup in the People's Alliance would have to result in Gestsson's fall from power. Both parties lost a significant following in Reykjavik. The platforms for the upcoming parliamentary elections will have to be prepared with utmost care in the capital. In Reykjavik, internal party struggles are going on between S Gestsson, the People's Alliance party chairman, and Olafur R. Grimsson, head of the People's Alliance's MPs. In Reykjavik, within the Social Democratic Party, a battle for parliamentary seats is occurring between Vilmundur Gylfason and Hannibalsson, who sat in the Althing last fall in the place of the new ambassador to Sweden, Benedikt Grondal.

Grimsson was not much involved in the electoral campaign, unusually enough. But he did write one article in THJODVILJINN, with the headline: "A Victory for the D-Platform is Gunnar's Death Warrant," referring in this case to the prime minister himself. Does this mean that the People's Alliance parliamentary head was making a formal announcement to the prime minister of this tasteful conclusion of his? Grimsson also said in this article of his regarding the campaign: "A vote cast for the D-platform is a vote cast in opposition to the government."

A new organization for Social Democrats has been proposed to be founded in Reykjavik, as was mentioned on the third page of THJODVILJINN yesterday in an interview with Bjarni P. Magnusson, who was number three on the candidates' list for the Social Democrats in Reykjavik. It is not without reason that THJODVILJINN welcomes this organization, since it seems that it might easily cooperate with the People's Alliance. As Magnusson said, "Politically, I think that this organization will be somewhat leftist within our party...We cannot talk in the same breath about foreign policy and the rightists within our ranks." This of course was pleasing to THJODVILJINN and also particularly to Grimsson, who would have to recognize a comrade there for his work on "peace issues."

At the same time that the Social Democrats are about to split up, as mentioned, in Reykjavik--although one would actually have expected it, that matters would come to this because a lack of people--Hannibalsson has been participating in a vigorous written argument with Olafsson, vice chairman of the People's Alliance. The subject is described as follows by Hannibalsson in the editorial column of ALTHYDUBLADID last Thursday: "THJODVILJINN considers itself to have the right, in its editorial column, to give us egalitarians fatherly advice about how we should react to the results of the elections. This advice takes the form of showing us favorable aspects of the People's Alliance, its policies and expressions on the issues. This is probably that 'clutch of the giant squid' that Ragnar Arnalds was so worried about..." And Hannibalsson's conclusion is this: "If we let it (the Social Democratic Party, especially Bj. Bj.) go on in to the 'clutches of the giant squid' and embrace the People's Alliance, then Icelandic social democrats will flee again, into the arms of the Independence Party."

Yesterday Olafsson wrote in the editorial column of THJODVILJINN, concerning the above testimony from Hannibalsson's article: "It is impossible to understand his words in any other way than this: that the editor is threatening his party colleagues by talking about joining the Independence Party if they don't feel inclined to deny the People's Alliance both morning and night." After that Olafsson specifies that Hannibalsson can go wherever he feels like, and then adds: "He is not splitting up anything by doing this, except himself maybe. Leftists in Iceland, though, ought to stick together these days."

From these written controversies we can conclude that the powers within the People's Alliance intend to turn their electoral mistakes into an overture aimed at the Social Democrats and to set up some kind of cooperation with those members of that party who have leftist sympathies. The main reasons for this kind of cooperation between members of both parties would have to be that cooperation under the watchword "keep our negotiational gains valid" had such success in 1978. But now various factors indicate that they will not make any gains under a "peace movement" banner, since the points at which their policies intersect are seemingly unsuited for political cooperation of this kind.

Cooperation between part of the Social Democrats and the People's Alliance will not manage to serve the nation or to lead us out of our difficulties. They are trying to lay the foundation for an alliance in the coming parliamentary elections. The Progressive Party has not been invited to take part in this new scare-tactic alliance, although they and the Social Democrats were the first to found such an alliance in 1956. On the contrary, the Progressives seem about to adopt the policy that now they ought to take a rest from national leadership. In the May 16 edition of TIMINN, Thorarinn Thorarinsson said the following about the government: "It could cause problems within the political coalition that more and more new problems come up--like the diminished cod fisheries and the cut-back in capelin fishery. It could, therefore, become more difficult to lead the nation."

And in the May 27 edition of TIMINN Steingrímur Hermansson, chairman of the Progressive Party, wrote the following concerning developments in the standard of living and economic issues: "I have some real worries about these

developments; I regret that people cannot sit down together and seriously talk about the conditions our national economy is in." Should that word "together" be understood in such a way as to mean that the man who thought anything was better than conservatism after the 1979 elections now wants to hold discussions on some kind of national, interpolitical basis?

The returns from the urban and rural elections have caused great disturbance on the political leftwing. There are political storms brewing now. The People's Alliance members aim to go for the Social Democrats in the first skirmish; but the Progressives now want to be everybody's friends.

Fill-In Test on the Women's Delegation

What is your opinion on...?

	for-	no opinion-	against
1. Military presence	for	0	against
2. Alusuisse Corporation	for	0	against
3. Lower price demands made by VSI	for	0	against
4. Foreign big industry	for	0	against
5. Cutbacks in health programs	for	0	against
6. Private operation of hospitals and day care centers	for	0	against
7. Thatcher's and Reagan's trigger-happy policies	for	0	against
8. Armament policy of the superpowers	for	0	against
9. Unemployment as an action against inflation	for	0	against
10. David Oddsson as mayor	for	0	against

In what column did you mark the most? If you marked "For" the most, then you choose the Independence Party. If you marked "Against" the most, then you choose the People's Alliance. If you mostly marked zeros, then you choose the Women's Delegation, because it has adopted no policies on these issues!

This "fill-in-test" shows what issues were dearest to the hearts of the People's Alliance during the election campaigns--but the "test" was also an offense against the candidates on the women's slates and those who intended to vote for them.

9584

CSO: 3000/38

OPINION POLL REVEALS POPULARITY OF EANES, PUBLIC APATHY

Lisbon O JORNAL in Portuguese 4 Jun 82 p 39

Text Half of the Portuguese people between the ages of 15 and 65 believe that independent candidates should be accepted in elections for municipal councils as well as for parish councils, and only 17.5 percent believe that only candidates presented by political parties should run for office. But the poll taken by Marktest, whose results are in the hands of the Revolutionary Council, also reveals that most of the people are ill-informed about the country's political problems or are not sufficiently interested to form an opinion about questions most discussed by the political class.

The Marktest study included a cross-section of 1,000 people in that age range and representative of the total population (men and women) and it is, therefore, indicative of Portugal's nearly 6 million people (precisely 5,867,000).

With regard to the acceptance of independent slates in the elections, there was also a high percentage of people without opinion, reaching its highest level in Porto and the suburban councils of Aveiro and Braga. In that area, one of five covered by the survey, 39.4 percent of those questioned said they had no opinion. In the southern area, specifically the rural areas of Alentejo and Algarve, the number of answers in favor of independent slates was the highest in the sample taken--56.5 percent, or 392,000 persons. But almost half of the people in the 15 to 65-year age group in all other areas covered by the survey said they were in favor of that solution: 49.1 percent in the central coastal area (the suburban councils of Aveiro, Coimbra, Leiria and Santarem); 45.9 percent in the northern interior (a predominantly rural area including councils of the districts of Viana do Castelo, Vila Real, Braganca, Aveiro, Viseu, Guarda, Castelo Branco, Coimbra and Leiria); and 51.9 percent in the area of Lisbon, Setuban and urban councils.

There were considerably fewer answers indicating that only candidates proposed by political parties should compete in autarchic elections. In the case of municipal councils, the percentages go from a maximum of 19.6 percent in the northern interior region to a minimum of 9.1 percent in the southern

area. And answers regarding elections for parish councils were not much different from those reported for the municipals.

PR Image Much Better Than That of the Government

One of the questions contained in the survey concerned the image of the organizations of sovereignty: the President of the Republic [PR], the administration and the Assembly of the Republic [AR]. In each instance, those interviewed were asked to choose statements on a card which, in their opinion, best categorized the performance of the PR, the AR and the administration.

The comparative results are not surprising; rather, they confirm previous surveys which indicate that the image of Eanes is much better than that of the administration; in fact, there was a very low percentage of those who had any negative opinion of his performance (5.9 percent, compared with 21.1 percent for the AR and 28.6 percent for the administration).

But the fact that 3 to 4 million people more than 15 years of age do not have an opinion about the governmental organization which directly affects their daily life may indicate a serious lack of confidence in the information or disinterest. With regard to the AR, 2,067,000 people (35.2 percent) have neither a good nor bad opinion, and 1,449,000 people (24.7 percent) do not even have an opinion. As for the administration, 3,516,000 Portuguese do not express themselves clearly (35.2 percent find the performance neither good nor bad and 24.7 percent have no opinion). In the case of the PR, the situation improves somewhat; but there are still 2,089,000 citizens (35.6 percent) who do not consider his performance good or bad and 1,275,000 (21.7 percent) who say they have no opinion.

Council for the Revolution: Almost a Stalemate

Opinions in favor of and against the existence of the Council of the Revolution are almost evenly divided. The numbers of those who "agree" with its existence are significantly different from the national average (which is 31.3 percent) in the area of Aveiro, Braga and Porto (24.3 percent) and in the southern area (41.4 percent), as well as by sexes (37.8 percent for the men and 25.2 percent for the women) and in the lower class (only 21 percent) and in those over 45 years of age (22.8 percent). The percentages of those who "do not agree" with the existence of the Council of the Revolution show a deviation from the national average (28.5 percent) as follows: for the sexes (35.9 percent of the men and 21.7 percent of the women), the upper class (45.7 percent), the lower middle class (22.6 percent) and the lower class (12.8 percent).

The number of those "without an opinion" proves to be quite significant: 2,340,000 persons or 39.9 percent of the total, predominantly women (53.0 percent of the total answers of the feminine sex) and of the lower class (66.3 percent of the respective total).

Membership in the EEC: 41.8 Percent 'No Opinion'

The poll included a question on Portugal's joining the EEC, stated as follows: "Do you or do you not agree with Portugal's becoming a member of the EEC?"

The answers to this question beat the record of those "with no opinion," adding up to 2,453,000 individuals, or 41.8 percent of the total. The answers which were furthest from the national average were those of the upper class and the upper middle class (only 18 percent of the respective total said they had no opinion) and those of the lower class (67.2 percent).

The "yes answers" came to a total of 2,598,000 persons (44.3 percent of the total), half of whom principally represented the upper class and upper middle class (61.6 percent), Porto (51.7 percent) and the lower class (21.8 percent). There were also 14 percent "noes," with the value again being further from the national average for the upper class and upper middle class (20.4 percent).

Most in Favor of Legalizing Abortion

Curiously, the question on which most of the Portuguese expressed their own opinion was that of legalizing abortion. As the field work of this survey occurred between 29 March and 8 April, discussion of the subject by the AR must have made it easier for the people to make up their mind. In any case, a total of only 766,000 persons (13.1 percent of the overall total) said they had "no opinion" when confronted with the following question: "As you know, the subject of abortion is being discussed by the AR. Which of the statements on this card most nearly express your opinion on this subject: totally banned; authorized in only very exceptional cases; authorized in all cases?"

The answers farthest away from the national averages were the following:

Totally banned: National average 22.5 percent; Lisbon and Setubal 11.8 percent; northern interior 32 percent; upper class and upper middle class 11.2 percent; lower class 37.9 percent. There were no great deviations by age.

Authorized in exceptional cases: National average 44.4 percent; Aveiro, Braga and Porto area 50.6 percent; northern interior 39 percent; upper class and upper middle class 60.1 percent; lower class 18.2 percent; over 45 years of age 34.4 percent.

Authorized in all cases: National average 20 percent; upper middle class 25.5 percent; lower class 13.3 percent; 35 to 44-year-old persons 24.3 percent; over 45 years of age 16.6 percent.

A few of those questioned did not answer (0.2 percent).

Independent Candidacies in the

Who should run in elections for city councils?	Total	Lisbon and Setubal	Aveiro Braga Porto	Centr Coas
Parties only	17.5	18.0	19.4	16.9
Parties and indep.	48.0	51.9	41.1	49.1
No opinion	34.3	30.7	39.4	34.0
Who should run in elections for parish councils?				
Parties only	16.9	16.7	18.1	16.3
Parties and indep.	48.6	53.1	42.4	47.8
No opinion	34.7	30.8	39.4	36.0

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CS0: 3101/45

NONSOCIALIST PARTIES SUBMIT ECONOMIC, TAX PROGRAMS

Conservatives: Freeze Expenditures, Lower Taxes

Stockholm SVENSKA DAGBLADET in Swedish 14 Jun 82 p 6

[Article by Bo Ostlund: "Conservative Manifesto on Economy: Balance Possible Within 5 Years"]

[Text] "Frozen public expenditures, lower taxes and a return to a market economy with responsible labor negotiations are the most important elements of a new goal-oriented policy which can again create a balance in the Swedish economy in 4 or 5 years. If we act now."

These words were spoken by Conservative Party leader Ulf Adelsohn when on Sunday in the Riksdag House before the Conservative Party Riksdag Group and Party Council--the party leaders, the federation chairmen, the council of employers associations and 20 members elected by the party--he presented the party's election manifesto concerning economic policies: "Goals of Economic Policy."

The program was put together in nine points, all assuming that a new government will begin to put the different points into effect this fall so that no time will be lost.

"If we do not begin in the fall, Sweden will not be able to utilize the possibilities which the expected international business upturn of 1983-84 will give," said Ulf Adelsohn in a commentary.

'The Government Is Slow'

"When the Center and Liberal parties say that Sweden is now on the right track, what is being done is in harmony with the demand for a balanced economy. But what is being done goes too slowly, and is insufficient. And in one case, completely wrong--the tax agreement with the Social Democrats," said Adelsohn.

Adelsohn gave examples of what he regards as the government's slowness: "The waiting days have been on the government's agenda for several years, and when it is finally acted upon, it happens just before an election."

"The tax agreement is another example. When the bourgeois parties gathered around a recommendation, the Center and Liberal parties got together with the Social Democrats on a worse recommendation which comes into effect one year later--meaning that one year has been lost."

Ulf Adelsohn was very unhappy about the effects on the economy which a two percent increase of the employer fees will have for industry.

The conservative deal in the economy is to work off the deficit in the balance of trade, said Adelsohn, and presented a program of nine points for economic growth:

"Freeze public expenditures. We can not in the name of solidarity live on borrowing which the next generations must repay."

The savings which will be necessary will be about 25 billion, said Adelsohn.

"Lower taxes. The conservative tax alternative is based on what the three bourgeois parties agreed to in February 1981. It contains a maximum 50 percent income tax, retains the inflation protection of the tax scales and the right to deficit reductions--but still works within the deficit reductions committee to find undue reductions. The reform is to be financed partly through savings and partly through the abolition of special tax reductions.

"In the third place the budget deficit must be brought down," said Adelsohn. "If that does not happen, by 1985 we will be forced to use 75-80 percent of the national income to pay interest and amortization on the national debt."

Other points in the conservative program deal primarily with protecting the market economy. "The election this year is over the market economy, that has been brought out step by step. It is obvious that the employee funds can not be combined in any way with a market economy," said Adelsohn.

The Conservative Party leader also emphasized the importance of restrained wage agreements, and that the purchasing power of employees is better protected through reduced taxes. "Sweden has the world's highest tax pressure, and an unchanged tax pressure is not enough. Taxes must be brought down," said Adelsohn to heavy applause.

"The most important thing is that all understand that we must work ourselves out of the present situation," continued Ulf Adelsohn. "Wealth is created by production and production is work. Economic growth is a better guarantee for social security than redistribution within the framework of reduced opportunity.

"The Social Democrats seem to have learned nothing. They will therefore repeat the mistakes which led to today's situation. It is that choice of roads that this fall's election is all about."

Liberals Attack Wage-Earner Fund Scheme

Stockholm SVENSKA DAGBLADET in Swedish: 14 Jun 82 p 6

[Article by Margit Silberstein: "Ullsten on the Funds: We Do Not Want a Power Colossus"]

[Excerpts] Jan-Erik Wikstrom and Gabriel Romanus literally groped in the dark in a Liberal Party game of blind man's bluff. Ola Ullsten warned against the employee funds and Georg Rydeberg said that "everything is given to the people as a loan" at the Liberal Party rally on Sunday.

The Liberal Party called this meeting, with a picnic on the green grass by Ekebyhov Palace on Ekero, its Malare session. It was a cool party in the Swedish June summer. The chill was emphasized in the speech given by Ola Ullsten, in which he painted a picture of the Sweden that we would have if the Social Democrats got their employee funds.

The funds were described by Ullsten as "extremely dangerous" and "extremely socialistic" and a colossus of power from which he would save the working trades.

"Do we want a society where the trade unions, the employers and the capital market are dominated by one and the same group--a power group which will not be surpassed as a political pressure group?" wondered Ullsten, and answered the question himself with a powerful no, to which the approximately 150 Liberal Party members answered by clapping their frozen hands. Ullsten confirmed in his speech, which only dealt with the employee funds, that there are only 3 months left until the election, and the Liberal Party should use that time to inform people what the employee funds mean.

'An Election Manifesto for Freedom and Justice'

"The election of 1982 is the most important of the decade. For the first time since the 1940's the Social Democrats are going into the election with a concrete recommendation to socialize most of business life. The funds will be the dominant capital administrator and employer."

This is in the Liberal Party manifesto, "For Freedom and Justice" which was approved by the party leaders over the weekend. The Liberal Party warned of the abuse of power in a Sweden of employee funds, where according to the manifesto many are threatened.

Instead Sweden needs a policy for people's opportunities, said the Liberal Party, which claims to be the party which stands on the side of the individual for freedom and justice.

"The Liberal Party will strengthen the position of the individual at the expense of a concentration of power of all kinds. To disperse power and ownership in business is an important liberal task," to quote the manifesto.

As for the employee funds, the voters must take a position for the funds and socialism, or for electoral freedom and liberalism, according to the Liberal Party.

Continued Reforms

The Liberal Party also confirms that it is the responsibility of politicians to speak clearly. Casual promises do not give secure jobs. Instead it is the realistic policies of the middle government which can give full employment, assures the Liberal Party in its election manifesto.

Tax reforms must be carried out, because they encourage work and savings, according to the manifesto, which advises continued tax reforms with a goal of further reductions in income taxes. The burdens should be justly distributed and the Liberal Party promises that the weakest groups, such as pensioners with only their old age pensions, invalids, handicapped and families with many children should be protected within the framework of an economic policy.

Tax cheating should be fought like unemployment and work for equality between the sexes should continue even in times of economic difficulty.

Depend on the ability of the people to decide for themselves, urges the Liberal Party, and they demand that collectivization be abolished.

Paper Comments on Parties' Programs

Stockholm SVENSKA DAGBLADET in Swedish 14 Jun 82 p 2

[Editorial: "Liberal Manifestoes: Conservative and Liberal Parties"]

[Text] The Conservatives on Sunday approved a program with guidelines for the economic policy following the Riksdag election in the fall. Consequently it is not a question of an all-inclusive election manifesto.

What is nearly always desired of all programs of this kind is that they should be stamped by high ideology, creativity and concrete precision. But having said that, it can be confirmed that the Conservatives do not hesitate to take the bull by the horns, which is necessary if we are to have justice in our economy.

The conservative program is a manifesto for a liberal policy which aims to strengthen the market economy, liberate human resources and remove obstacles to growth in business.

One of the ways to accomplish that is to reduce taxes, both on workers' income and on production. Another is to reestablish functioning markets in different areas; in the manifesto the capital market is mentioned, as is price development, the building sector, and housing.

"Offensive Structural Changes" is the Conservative Party slogan for the reform of industry which is necessary. And the first means of accomplishing this is given without evasion: increased profits.

The Conservatives do not hesitate to speak clearly when speaking of public expenditures. The total real level must be frozen in the immediate years ahead. That partly means savings of about 25 billion kronor in national and local levels compared with the long-term budget, and partly that new expenditures will be financed with further savings. The need to find new forms of business is also stated.

It is not an insinuating document which the Conservatives have presented. It is an honest and harsh message.

But the alternative is, as Chairman Ulf Adelsohn said at the presentation of the program, that our children and grandchildren will again be the recipients of our negligence many times over. Those who so often speak of protecting the weak should be aware that in the Sweden of tomorrow there will be weak groups who will be in need of the combined inputs of all, said Adelsohn.

When the Social Democrats speak of solidarity with the poorest it is naturally out of honest conviction, but the aim at the same time is toward election day, in a remarkably demagogic way. What should be affirmed now, however, is also solidarity with the next generation.

"For the first time since the 1940's the Social Democrats are going into an election with a concrete recommendation to socialize most of business life. In the Sweden of the employee funds there will be a trade union elite with a unique power position. Few will dare to challenge such an accumulation of power. The risk for abuse of power is obvious. Diversity is threatened."

The above words are in the introduction of the Liberal Party manifesto as it was presented by Ola Ullsten at the party's rally on Sunday. It is a good manifesto from the Liberal standpoint, except that the party leadership could have omitted the attack on the Conservatives and the self-praise for the contributions of the Liberal Party to the government.

The Liberal Party adheres to the need for a further reduction of taxes, which is good, as is the confirmation that the belt-tightening policies must continue until an economic balance is reached. But the main message in the manifesto and in the speeches by the party leaders came from the theme that the liberal society will not survive if fund socialism is carried through. For all

liberal parties which adhere to the market economy that must be the main task, to stop the creeping total socialization of the economy and the society which the funds proposition will doubtless lead to.

Ullsten took a natural point of departure for his criticism of the funds proposal in the fact that social democracy still does not reject collectivism. With pointed working he described the social democratic attitude toward the political rights of the individual as "experimental activity with political freedom." How would it go with such freedom in fund Sweden?

The new rights of taxation which the funds give the unions would lead, according to Ullsten, to the question being asked whether a new LO [Confederation of Trade Unions] will be created when the old moves into SAF's [Swedish Employers Confederation] offices on Blasieholm.

It can not be that which the conflict over the right to vote and the liberal devotion to organized labor was intended to accomplish.

No, Ullsten pointed instead to some examples of how things go when the unions' demand for power is gratified: When AFTONBLADET, the unions' newspaper, wants to ignore the law about job protection, when LO discriminates against Syndicalists, when the Factory Workers Union threatens not to deliver printing ink to objectionable newspapers, when Marjasins Kommunal prevents parents from taking increased responsibility for the days' activities.

It is high time that all the nonsocialist parties put the fund question in the center of the election debate. Liberalism can not take a summer vacation if the lost time will be used against it. The funds are written into the Social Democratic schedule after 19 September.

Paper Examines Liberal Party Platform

Stockholm DAGENS NYHETER in Swedish 15 Jun 82 p 2

[Editorial by Nils-Eric Sandberg: "The Individual in the Middle"]

[Text] For a long time the government has been so concerned with governing the country that it had no time for social questions. But now that is changing. Even the bourgeois parties are reminded that there will be an election in the fall. So the summer leisure must wait until next year.

Over the weekend there was a platform from the middle, plus two manifestoes, one liberal from the Liberal Party, and one economic from the Conservative Party.

The middle parties will conduct a common election campaign on all the important issues--environment, taxes, and opposition to fund socialism. That seems perhaps like a logical continuation of cooperation in the government.

Can this common election campaign also lead to the middle government continuing after the election?

This question should be discussed as a part of what a new government should do. A little sketch of a political agenda would include, among other things, the following: The budget deficit of about 12 percent of the GNP creates strong inflationary pressure, through increasing the amount of money, and it blocks the credit market; it must be depressed. Industry loses shares of the market, which indicates that the relative level of costs is still too high.

Equilibrium in the exchange balance and increased investment quotient presumes that savings are rapidly increasing, at the cost of consumption. That means that profits in business must generally increase, while the spendable income probably must decline, to begin with.

This presupposes a government with such a strong majority that it is not vulnerable to pressure from dissatisfied marginal groups. It must also get the unions indebted, or have such strength that it can control the economic policies against the will of the unions, if necessary.

The middle parties must have a good election to do this alone. The alternative is a government crossing bloc lines, preferably with the four large parties. They all believe that a government with a few seats majority can not carry out an unpopular but economically necessary policy through more than one mandate period at most, or labor agreement period.

The parties have a responsibility for seeing that the political climate makes such political cooperation possible. Such responsibility does not require much will or ability. Still it should be simple to form a coalition government in a country with a homogenous population, very even distribution of income--employees have about 90 percent of the total income. The contradictions which exist in the country are primarily a reflex of political propaganda--not the contrary.

The real obstacle to cooperation is the recommendation for the employee funds.

The Liberal Party, in its own election manifesto, will place the individual in the center. That is good; better late than never.

The Social Democrats have announced the "alternative" to the employee funds. By that they mean some arrangement for sharing profits, union influence, holding capital. With this as a beginning the debate will deal with funds as an instrument for the accumulation of capital. But primarily the funds are going to weaken the mechanisms which the market economy builds on. They will concentrate power and ownership very much in the leadership of the collective organ and reduce the possibilities for diversity.

The alternative to the funds is not any new institution of the capital market, but a market economy with strengthened private incentive and increased freedom

for private initiative. For the sake of clarity the Liberal Party must--and also the other two bourgeois parties--give a specific description of what a liberal society looks like. The private sector must be depoliticized, and there must be tolerance that people live differently, and vote differently.

These are the things that the election debates should deal with. It would be too bad if the election for and against socialism should be decided by a few paltry waiting days.

Falldin Backed by Center Party Meeting

Stockholm SVENSKA DAGBLADET in Swedish 22 Jun 82 p 6

[Article by Hans O. Alfredsson: "Thorbjorn Falldin Solidly Supported By His Own Party"]

[Text] Orebro--Thorbjorn Falldin must, as prime minister, have fragile support among the voters. Within his own party he can lean on support which seems to be particularly stable and compact.

This was demonstrated on Monday when he attended the Center Party rally in Orebro and was reelected as party chairman. The election was acclaimed with loud applause.

Previously Olof Johansson was reelected as second vice chairman, in the general political debate in which he appealed to party members to rally behind Falldin.

"Show that you have complete confidence in him in his exposed situation," said Olof Johansson, and the rally participants applauded loud and long.

Unlike what happened at last year's rally, the election questions this time did not offer any divided views. The entire party leadership was reelected.

Thorbjorn Falldin rounded off the general political debate with an involved contribution about employment and shortened working hours. Several speakers in the debate took up the question of shortened working hours and work sharing as a means of increasing employer and speeding up the economy.

Those thoughts were rejected by Falldin:

"There is no room just now for shortening working hours, unless one wants to pay for it himself.

"If it is desired that working hours shall be reduced from 8 to 6 hours per day, then it must be understood that wages will be reduced by one-fourth," said Falldin.

Olof Johansson wanted moderation in the political debate. He said, no bridges should be burned in the heat of conflict. Gunnar Jonang, chairman of CKF

[The Association of Center Party Women] had the same thoughts, when she said that "the Center Party is not the party of confrontation."

Minister of Industry Nils G. Asling attacked the industrial policies of the Social Democrats, and thereby indirectly countered Thage G. Peterson's (Social Democrat) attack against the Center Party last Sunday. On the dining table which the Social Democrats left behind in 1976 there was "the worst industrial crisis in the postwar years," claimed Asling.

"We in the Center Party look back with pride on the industrial policies of our government years. They have brought renewal, offensive and confidence in the future of business life. We have changed things."

Adelsohn: Conservatives May Yield on Taxes

Stockholm SVENSKA DAGBLADET in Swedish 21 Jun 82 p 6

[Article by Anders Jorle: "About Taxes Ulf Adelsohn Says: Stroke of Genius by Social Democrats to Lock Up the Middle on One Question"]

[Text] The greatest obstacle to the possibility of creating a new bourgeois three-party government after the fall election is an agreement on taxes. At the same time it is not at all obvious that the Conservatives will try to bring down a government which tries to fulfill the agreement between the middle and the Social Democrats.

In a TT [Swedish Central News Agency] interview the conservative leader Ulf Adelsohn explained that the position of the party depends on the parliamentary situation after the election.

"The Social Democrats made a stroke of genius by locking up the middle parties on one single question. This created a foster-brotherly team, despite their disagreeing on almost all other questions."

The agreement on taxes is an example of the lack of solidarity in the middle, according to Adelsohn, and he believes that the Conservatives have followed a consistent policy.

Lack of Purposefulness

"In the middle there is a certain lack of purposefulness. It appears in economic questions. After a long time the waiting days are decided 6 months before the election. An income tax reform is put through which will first be seen after the election.

"It also seems to be important to come down somewhere between the Social Democrats and the Conservatives. It is "neither chopped nor ground."

"A newspaper once wrote that it is hard for parties to take a position outside of what the Conservatives and the Social Democrats think, instead of what they themselves think is right."

Dislocation

The middle has also been weakened since 1976. There has been a powerful dislocation toward a more consistent policy, toward the Conservatives. It is well known that the party is against the employee funds, or union socialism as he calls it. Another important election issue will be "solidarity with Sweden's coming generations." The quotation is aimed toward the deficits in the national budget and the balance of trade.

Olof Palme promises increased housing allowance, increased pensions, full pay for all sick days, retained food subsidies, increased child allowances, more road construction, more day-care centers, more nursing homes. For the average voter it is a fantastically good picture being painted.

"Ask the voter if he wants better health care or a trip to Mallorca. The answer is that he wants both. I believe that we can not offer them all that."

The debts of the Swedish people are because today's generation does not live only on what it earns in production, but it uses more in consumption. For Ulf Adelsohn, solidarity is that the active generation shall not use borrowing possibilities and thereby force future Swedes to pay back their debts.

The Conservative Party has conservative values when it comes to ideology and culture and liberal values in economic questions. But the Conservative Party leader does not believe that there is any decisive difference between the social democratic and the conservative views of culture.

"Possibly they have been more interested in newly created culture, to tear loose from the past, from the bourgeois society. Otherwise I believe that we have a rich and mixed cultural life in Sweden."

"New understandings can of course be needed if the culture is threatened by a poor social economy." To be paid for culture is not foreign to Adelsohn.

Fees for Borrowed Books

"I have never understood why it should be so terrible to pay a yearly fee to borrow books. I would rather see people pay a few kronor than close a library. Then we also learn at the same time a little more about the demand."

In a speech in Norrköping recently Adelsohn noticed the school. The lack of history for Swedish youths bothers him greatly. His thesis is that the schools have failed to provide a cultural inheritance.

"We are against reducing the teaching of history. In moderate amounts it is decisive to understand people's attitudes, traditions and culture. Knowledge of our and other peoples traditions and history is decisive in order not to repeat mistakes and contribute to understanding and respect in the future."

No Riksdag Seat

Ulf Adelsohn is unique in his role as political boy wonder since he has never had a seat in the Riksdag. In spite of the shift of leadership in the party the Conservatives' foremost representative in the Riksdag during the spring was Gosta Bohman. Not so strange, perhaps, that articulation of Riksdag work was done with evident care.

"I believe the work is very difficult, even compared with other parliaments abroad. Surely there is also a native resistance against change by those have sat here the longest. We must make the work simpler and more flexible, but to go into details would be presumptuous of me."

9287

CSO: 3109/191

CHANGES IN GOVERNMENT EMPLOYEES LAW SUMMARIZED

Istanbul CUMHURIYET in Turkish 18 May 82 p 7

[Text] Ankara, 18 May--ANKA--Legislation amending certain provisions of law no 657 on government employees has been published in RESMI GAZETE. The changes affect sections of the law dealing with disciplinary measures, conditions of appointment, duties, and responsibilities.

The new legislation increases disciplinary penalties for government employees and places their appointment, duties, and responsibilities on a new basis.

Under this legislation, positions for which there is a need in government agencies and state organizations will be filled from a single center by examinations to be administered by the State Personnel Office. Provisions of the new law also bar from government employment any person who is a candidate running for a seat in parliament or anyone who has served as a parliamentary deputy during certain periods and is now barred from running for elective office. The probationary period for new government employees, which used to be set at six months, is changed to a minimum of one and a maximum of two years under the new law, which now also stipulates that those who are dismissed during the probationary period are barred from government employment. At the same time, those who are approved for permanent appointment will be required to swear a loyalty oath to the state and the regime before their competent superiors. The law forbids the resignation of government employees if the manner of their resignation will disrupt the performance of their public duties. In another provision, the law gives preference in appointments to the positions of governor, ambassador, permanent undersecretary, assistant undersecretary, and director general to candidates for appointment who are graduates of the National Security Academy.

The law provides that government employees shall be bound by the laws and the constitution of the Turkish Republic, and that they will be required to "apply faithfully the laws of the Turkish Republic" in the service of the nation. One month after their initial appointment, they will be sworn in in the presence of their competent superiors and they will sign a loyalty oath document.

The text of the oath to be signed by government employees reads as follows:

"I swear upon my honor and good name that I will be faithfully bound by the constitution of the Turkish Republic, by Ataturk's ideals and reforms, and by the Turkish nationalism which is embodied in the constitution; that I will administer the laws of the Turkish Republic while serving the nation in accordance with the principles of impartiality and equality; that I will consider as my own the national, moral, human, spiritual, and cultural values of the Turkish nation, defending them and working for their furtherment; that I will be conscious of my duties and responsibilities towards the Turkish Republic, a national, democratic, and secular state, based on the rule of law, human rights, and the basic principles of the constitution, and that I will show this in the manner of my actions."

As provided by the legislation, government employees will not be allowed to join any political party or to act on behalf of or to the detriment of any political party. In the performance of their duties, government employees will not be permitted to discriminate on the basis of language, race, sex, political ideas, philosophical beliefs, religion or sect.

The law bars government employees from engaging in any act or statement for the furtherment of ideological or political aims, and forbids them from engaging in activities likely to endanger the security of the Turkish Republic or threatening its independence and territorial integrity.

The law also clarifies the duties and responsibilities of superiors. Those in a supervisory position will not henceforth be allowed to ask for loans or to accept gifts from any government employee under their supervision. Under the legislation, it is made clear that supervisors can use their authority within limits set by "the constitution and the regulations" and it is henceforth forbidden for them to force their employees to perform extralegal tasks.

The release of information to the press and the issuance of public statements by government employees is forbidden under the new law, which also bars the use of government vehicles and supplies by government employees for their personal benefit.

In accordance with the legislation, ministries, government agencies, and state organizations will inform the State Personnel Office of any openings on their staff, specifying the pay grade and rank. In 15 days the State Personnel Office will announce the available positions in the RESMI GAZETE and on the radio, and will hold an examination. Interested parties will submit their applications for participation in the examination to the agencies concerned. The agencies concerned will forward the applications to the State Personnel Office, and that office will send entry forms for the examination to those applicants whose qualifications are suitable.

The State Personnel Office will hold examinations for government positions in accordance with a centralized system. Centers of the State Personnel Office will hold examinations four times each year.

According to the law, in order to be appointed as a government employee in a state organization or government agency applicants will be required to pass the examination held by the State Personnel Office. At the same time, separate examinations will be held for the physically handicapped.

Provisions of the law specify that those who pass employment will first receive basic training. For training to prepare them for the duties of their enter upon their probationary period.

During the period of candidacy, those who fail in ing or in the course of their probationary period and demeanor are not consonant with their status severed from government service.

Also, those who are found to be unsuitable at the candidacy will not be admitted to government employment during or at the end of their period of candidacy employment for a period of three years.

Those who pass the examination for candidacy but specified time period will have their appointment

The law also specifies conditions regulating rotation agencies. Rotation will have to take into a position, its special features, as well as economic transportation-related factors. Under the law, those posts due to military obligations will be permitted after fulfilling their military obligations in such cases reflect the period of military service.

At the same time the law also provides for those on their own request, allowing them to return to government provided the number of resignations does not exceed necessary that the positions they vacated be open that they possess the needed qualifications.

Former members of the legislature who cannot be parties, and unsuccessful candidates for election to be barred from government service. The law also the regulation of unpaid leaves.

Warnings: these will be issued to government employees to exercise more care in their duties and actions actions and conditions requiring the penalty of a

"Any display of carelessness or irregularity in the duties and orders completely and on time, in accordance principles established by the organization at the regularity in the preservation, use, and care of government supplies connected with assigned duties.

"Arriving to work late in the absence of an excuse work early; leaving the workplace.

"Disregarding savings and conservation measures established by the organization.

"Engaging in applications and complaints outside of established channels and procedures.

"Engaging in demeanor or activities unbecoming to the dignity of a government employee.

"Displaying a lack of regard or concern for assigned duties and one's employer.

"Violating officially established standards of dress and outward appearance.

"Engaging in actions that violate the principle of cooperation and teamwork in the performance of official duties."

Censure: the following are the conditions in which censure is to be applied as a penalty:

"Failure to perform one's duty in carrying out assigned responsibilities and commands on time and completely, in accordance with procedures and principles established by the organization at the place of work; failure to protect or maintain official documents and government vehicles and supplies connected with assigned duties.

"Failure to report the gainful activities of the employee's spouse or minor or legally incompetent children within the specified time limit to the employing organization.

"Exhibiting disrespect for superiors by actions or demeanor in the course of the performance of assigned duties.

"Behavior outside of official duties that would tend to shake the feeling of esteem and confidence for government employees.

"Use of government documents, vehicles, supplies, and other materials for private business.

"Maltreatment of fellow workers, subordinates, or one's employers.

"Quarreling by words or actions directed against fellow workers or one's employers.

"Behavior in the workplace that contravenes public morals or manners; writing, making gestures, drawing pictures or shapes that are immoral or rude in the workplace.

"Objecting to orders received from superiors.

"Intentionally avoiding the payment of debts and thereby giving grounds for legal proceedings.

"Disrupting the peace and quiet or the working procedures of the organization."

The following acts and conditions will result in the deduction of 1/30 to 1/8 of a government employee's gross monthly salary, as a penalty:

"Intentional failure to do one's duty in carrying out assigned responsibilities and commands on time and completely, in accordance with procedures and principles established by the organization; intentional failure to protect or maintain or intentional abuse of official documents, vehicles, or supplies.

"Unexcused absence for one or two days from the workplace.

"Use of official documents, vehicles, supplies and other materials for private profit.

"Lying or making false declarations on subjects connected with official duties to individuals with a right to the information in question.

"Verbal disrespect to superiors in the course of official duties.

"Assisting in the use of any place within the bounds of the workplace for the holding of meetings, ceremonies, and similar purposes without official permission.

"Leaving the area of the province in which the employee resides without official permission.

"Engaging in mass petitions or complaints.

"Behavior in the course of official duties that tends to shake the feeling of public esteem and confidence for government employees.

"Possession of any legally forbidden publication in the workplace.

"According to the law, to come to the workplace intoxicated or to consume alcoholic beverages while engaged in the performance of official duties.

"Failure to report to the workplace without excuse or official permission for an uninterrupted period of 3 to 9 days.

"Obtaining private benefit, in any manner whatsoever, in connection with official duties.

"Engaging in actions or gestures that tend to defame or humiliate superiors or subordinates.

"Preparing reports or documents that do not reflect the truth.

"Releasing information or statements to the press, news agencies, or to the radio and television organizations without authorization.

"Engaging in commerce or any other gainful activity that is forbidden to government employees.

"Discriminating on the basis of language, race, sex, political ideas, philosophic beliefs, religion, or sect while engaged in the performance of official duties; engaging in any act calculated to benefit or harm any individual.

"Failure to make financial disclosure statements, subject to official conditions, at the required intervals.

"Releasing information the release of which is forbidden.

"Insulting or threatening a superior, a subordinate, a fellow employee, or one's employer.

"Taking advantage of one's diplomatic status to accumulate debts abroad in excess of one's ability to pay, without showing a just reason; damaging the reputation of the country by attitudes and actions displayed in the payment of debts abroad; returning from abroad without having paid one's debts, in the absence of a compelling reason.

"Intentional failure to perform assigned responsibilities and orders received.

"Active intervention on behalf of or to the detriment of any political party."

In these cases, the government employees' grade promotions will be stopped for a period of one to three years.

The following are actions and conditions which incur the penalty of dismissal from government service:

"Disrupting the peace and quiet and working order of an agency for ideological or political aims; joining a boycott, sit-in, work blockage or slowdown, strike, and similar actions; or failing as a group to report to work with the above aims in mind; inciting, promoting, or aiding any of the above actions.

"Printing, copying, distributing, affixing or displaying in any place within the agency any forbidden publication, political or ideological announcements, posters, signs, magnetophone tapes, and similar objects.

"Joining a political party.

"Failing to report to work without excuse or official permission for a period of 10 days running or for a total of 20 days in a year."

According to the provisions of the law, if the penalty on a given offense is invoked against an employee for the second time, the penalty will be applied by increasing it to double the original penalty. The "warning" and "censure" penalties can be appealed to the disciplinary organs of the organization the employee is working for. For other penalties administrative law courts are the proper resort. In the cases of "warning" and "censure" penalties the employee may apply after the elapse of 5 years to the supervisor responsible for appointments to have the penalty expunged from the records. In the case of the other penalties, such applications will be considered after 10 years have elapsed.

The law, which specifies that a government employee must reside within the borders of the province where his workplace is located, also makes the employee's leaving the province during his vacations dependent on the permission of his superior.

Meanwhile, female government employees will be able to receive up to six months of maternity leave in the case they bear a child. In the same way, in the case of the illness of father, mother, spouse, or children, a government employee will be permitted to take up to six months of unpaid leave. The spouses of those permanently posted abroad will be able to take up to three years of unpaid leave, with the stipulation that this leave can only be used once.

Some provisions of the law will go into effect when the law itself becomes effective, while some other provisions will go into effect three months later. Until the new guidelines come out the former methods of administration will remain in effect.

9620

CSO: 4654/336

IRREGULARITIES IN NSP ACCOUNTS DISCLOSED

Istanbul CUMHURIYET in Turkish 22 May 82 p 12

[Passages enclosed in slantlines printed in boldface]

[Text] Ankara (CUMHURIYET Bureau)--As a result of examinations concerning the abolished NSP [National Salvation Party], carried out by an investigative committee composed of Finance Ministry investigators, irregularities in NSP accounts have been disclosed. It was revealed that party funds were deposited in banks under persons' names and that disbursements made from these accounts were represented as party expenditures. It was determined that /Emin Hattat/, director general of HEMA [Hydraulic Machinery Industry and Trade Corporation], contributed 7 million lira to the NSP in 1980 and recovered this money by various means after 12 September. Hattat said that his contribution was made to facilitate his candidacy for deputy from the NSP.

Following 12 September, after the NSP was submitted to custodial administrators, the administrators declared that there was no immovable property or money in NSP party records. Thereupon a committee composed of Finance Ministry investigators began an investigation. In the investigative report prepared by this committee, it was stated that NSP's only party property was a Ford minibus with license plate 06 LH 156. The report's concluding section reads thus on the matter of vehicles:

"In the examination conducted by our committee we have reached the conclusion that: The Mercedes 302 bus with license plate 06 NE 740, known to the public as the NSP election bus, was purchased by the party in 1977 and registered with the traffic registry and the tax bureau in the name of the NSP; in 1978, however, it was transferred to Hasan Aksay through a fictitious transaction, and this procedure was not registered in the party's records of income and expenditures; finally, in 1981, the bus was transferred by Hasan Aksay to Ali Tandogan, an official in the NSP's Ankara provincial organization, and is at present registered in this person's name.

"Similarly, a Renault automobile with license plate 06 PS 939 was purchased by the NSP on 1 June 1977 and registered in the NSP's name with the traffic registry and tax bureau registry, but was later transferred to Suleyman Arif Emre, and this transaction was also not shown in party records.

"In 1975, 15 minibuses were bought from Otokoc Corporation for the party's provincial organizations, and the 50,000 [lira] down-payment for each minibus was paid by the NSP's Central Office; however, the invoices for the vehicles (except for two of them) were made out to the names of individuals, generally provincial organization chairmen, probably so that they could be registered in these persons' names."

In addition, it was disclosed that no record could be found to the effect that five automobiles registered in the name of Chairman General Necmettin Erbakan belonged to the NSP. It was noted, however, that it would be necessary to bring suit to turn over to the Treasury the Mercedes bus (license plate 06 NE 740) and the Renault automobile (license plate 06 PS 939) which among these vehicles were believed to belong to the NSP. The view was expressed that this procedure could not be done with regard to the five vehicles mentioned in connection with Erbakan, and that the fate of the minibuses purchased for the provincial organizations is to be investigated by the concerned provincial monitoring committees.

It is stated in the report, at the conclusion of the examinations carried out in the NSP accounts, that on 12 September 1980 a sum of 13,000 lira was missing from NSP property. In the report, which expresses the view that some invoices were entered into the accounts in duplicate, it is stated that the property fell short 512,000 lira due to recording errors in the accounts, and that this discrepancy had to be made up by the members of the NSP General Administrative Council. In addition, it was noted that no proof could be found that funds transferred to the Mila Corporation, the Milsan Corporation, and the Yeni Nesriyat Corporation through fabricated records were paid with the intent of making a transfer.

The report states that once a loan was secured, the money was received back from the candidates after the elections and put in a safe place. However, it was reported, 28 million [lira] of this money was spent by the NSP Central Office, while the money paid back amounted to around 9.5 to 10 million.

It was claimed that on 12 September 1980 approximately 12 million lira in an account belonging to /Necmettin Erbakan/ was withdrawn by /Kemalettin Erbakan/ and, according to the statement of /Selahattin Alic/, paid to /Emin Hattat/, /Kazim Savas/ and /Yusuf Cebi/.

It was determined that HEMA director general Emin Hattat was paid 7 million lira on behalf of NSP chairman general Necmettin Erbakan during 1980. Hattat gave this version in his statement taken on this subject:

/"I never gave any money to Necmettin Erbakan, either in 1980 or in earlier years. However, in 1980, when the prospect of early elections appeared, I gave checks with various dates amounting to around 7 million [lira] to Selahattin Alic, the party's first provincial coordinator, with reference to my being a candidate for deputy from the NSP, to be used to cover the expenses of my own election campaign's private bureau in the event that I entered at a selected time. The funds registered in Necmettin Erbakan's account must be connected with these checks."/

Erbakan's Statement

Former chairman general of the NSP /Necmettin Erbakan/ responded thus to certain claims in his statement taken by the committee:

/"The account referred to is an account opened strictly in order to be used in connection with funds distributed to candidates in elections. Candidates participating in elections are forced to meet burdensome expenses, and much of the time feel a need for assistance. In view of this, Selahattin Alic and Mazhar Gorgen Bayatli, offering their assistance in securing loans for candidates and later in collecting and paying back these debts, requested that an account be opened in my name to be used for this purpose, and I consented. This account was to be used solely in securing loans for candidates and repaying their debts, and has no connection with the NSP. The vehicles were purchased with my personal funds. I have not two, but one Buick-make automobile. There are two Mercedes. One of them is a car given as a gift by workers in Germany. The reason that I personally acquired several cars is that I felt it unavoidable in consideration of the security police, journalists and escorts particularly in my travels around the country. These cars were obtained with my personal funds."/

9962

CSO: 4654/339

NATO OFFICIAL SEES CONFLICT WITH USSR AS UNLIKELY

Lisbon EXPRESSO in Portuguese 29 May 82 pp 12-13

[Interview with NATO Secretary General Joseph Luns; date and place not given]

[Text] He lived in Lisbon for 3 years during World War II, and had a maid named Ernestina da Conceicao who taught his daughter to sing "Sebastian eats everything, everything, everything and never leaves anything." And to prove that this was not just another of the innumerable stories he never ceases to tell, Joseph Luns, secretary general of NATO, diverted his attention for a few moments from the excellent luncheon he was sharing with EXPRESSO newsmen to sing "Sebastian eats everything, everything, everything" from beginning to end, in the middle of the Pabe and to the amazement of everyone, without missing a verse and without a single sour note.

A disconcerting man, this 71-year-old Dutchman for 11 years now has been an official of the Western defense organization. Rather than the somewhat sober and abstract personality one might expect of one who simultaneously fits the public image of the perfect bureaucrat and professional anti-Soviet, Joseph Luns turns out to be a bon vivant, a hearty eater and drinker, who enjoys keen discussion and always has a supply of humor up his sleeve to lighten the atmosphere.

Secretary General of NATO

With a physical aspect very like that of de Gaulle, Luns wears his role in NATO calmly.

[Question] What is the importance of the secretary general of NATO? Is he a mere bureaucrat without power, or is he a sinister official who could push the atomic button?

[Answer] No NATO decisions can be taken without the unanimous agreement of all its members. But this does not mean that the secretary general is a mere figurehead. In fact, he has four main functions. First, as president of the Council of Ministers of the organization, he prepares for and presides over all the ministers' meetings.

Secondly, he heads the list of officials, and is responsible for the administrative machinery and its functioning.

Thirdly, the secretary general has the right to address himself directly to the heads of government or chiefs of state of the member countries.

And, fourthly, he has the right to undertake measures autonomously, specifically economic and military aid to member countries, as has happened, for example, in the cases of Greece, Turkey and Portugal as well.

Appointed in Lisbon

Portugal was obviously one of the favorite subjects during the talk EXPRESSO newsmen had with Luns. Not only--noblesse oblige--because of the praise the guest had for our Portuguese country, but because of the timeliness of his visit and the questions generated by Spain's entry into NATO. Portugal--which Luns repeated three times is "very picturesque," is a country the secretary general of the Atlantic Alliance knows relatively well, as a result of his 3-year stay at the embassy of The Netherlands in Lisbon during World War II, and the very nature of the post he has held since he was appointed to it in 1971 by acclamation by the Council of Ministers of the organization, which was meeting precisely in the capital of Portugal. Of that stay in Lisbon, Luns remembers, with a humor in which a note of sarcasm can sometimes be heard, some of the more ridiculous aspects of the Salazar regime. For example, the pompous official language, in which Cardinal Cerejeira was known as the "Purple Eminence," and the president of the republic, Marshal Carmona, was systematically and logically identified whenever his name was mentioned as the "venerable chief of state." Luns, cautious in his assessment of a historic figure still clear in memory, comments somewhat enigmatically about Salazar that he was a "Coimbra professor who remained too long in power."

EXPRESSO wanted to know what he thinks of Marcelo Caetano.

[Answer] Caetano? He was a student of Salazar.

But the journalists insisted on knowing whether he was a good or bad student.

[Answer] That is for the Portuguese people to judge.

Likes Conversation With Journalists

Luns, who before holding his present post, was the Dutch minister of foreign affairs for 18 years, is obviously a fine diplomat. But his style is very different from that other style of diplomacy which seeks isolation and flees journalists as the devil does the cross.

"He loves to talk with journalists," the head of the NATO press service, Nuno Antas de Campos, a Portuguese citizen, says. "Sometimes he even leaves Council of Ministers meetings in order to provide journalists with details."

His acuteness (despite his 71 years), along with extraordinary vitality, becomes evident when he speaks of sensitive issues.

For example, the war between Great Britain and Argentina, nuclear rearmament, the questions raised in Portugal by the entry of Spain into NATO. Luns does not avoid issues--but he discusses them in a light tone, that of one exchanging views, without assuming the air of importance and reserve characteristic of the politician or professional diplomat. Concerning the conflict in the Falkland Islands, he defends, as he obviously would, the British position and the attitude of support adopted by the NATO allies. But his speech is peppered with commentaries, observations and stories which range far from official discussion. One of his comments about the personalities of General Galtieri and Mrs Thatcher ended with a resounding "Ole," similar, as was later explained by Antas de Campos, to the notorious "Oie" shouted by Vasco da Gama Fernandes from the rostrum of the president of the Assembly of the Republic.

One of the stories Luns tells in connection with the Argentine invasion of the Falkland Islands pertains to the invasion of Timor by Holland during World War II. Luns relates that the Salazar government, "concerned" about the possible popular anger which might be provoked against Holland by this unexpected attack by a supposedly friendly country on one of "our overseas provinces," ordered policemen armed with machine guns to protect the Dutch embassy in Lisbon.

"But nothing happened," Luns recalls. "No one appeared to protest and we at the embassy ended up by offering the policemen tea and cookies."

Spain in NATO

During the 11 years in which he has been at the helm of the NATO organization--"I began my adult life as a helmsman in the Dutch navy, during my year and a half of military service in 1932," he recalls--Luns has been present throughout major changes and the crises which have profoundly altered East-West relations. The nuclear armaments race and the polemic concerning the placement of nuclear missiles in Europe, the resurgence of the pacifist movements and the tensions existing among the NATO member countries, for example Greece and Turkey, are among these.

[Question] Is there or is there not a crisis provoked by Spain's joining NATO? What are the prior conditions set by the Spanish military authorities and the politicians?

The secretary general denied that there were any problems.

[Answer] All of the NATO decisions are adopted unanimously. It is obvious that no decision will be adopted which is contrary to the interests of Portugal. The entry of Spain represents a blank page--that is to say, there are no prior conditions established for Spanish membership.

[Question] But aren't the Spanish military demanding the denuclearization of Spain?

[Answer] The language of the military and that of the politicians are often different. This requirement was never made by the Spanish government.

No Conflict With USSR

Luns does not believe that the entry of Spain into the organization will reduce the importance of Portuguese participation.

"Everyone envies your situation in Portugal, because in the event of an invasion in Europe, Portugal will play a crucial role since it is one of the few countries which will not be threatened by such an invasion. It would be through Portugal that a landing of allied forces would take place." But Joseph Luns hastens to add that in his view, war is but an "extreme hypothesis" in which he does not believe. "I do not believe in any conflict with the USSR," he said.

As would be inevitable in any conversation with the man responsible for an organization whose goal is to protect its members against foreign military aggression, the USSR was one of the main subjects of conversation. But the USSR is also one of the most important components in the fantastic arsenal of stories with which Luns peppered the luncheon with EXPRESSO journalists. Near the end of the meal, between the mountain cheese, which he had never tasted before, and the dish whose name means "bacon from the heavens," as Antas de Campos explained to him, Luns told the story of the Soviet citizen whose parrot had escaped.

"Ivan Ivanovich telephoned the KGB to report the disappearance of his parrot. 'The parrot has an identification ring with my name and address and so I'm not very worried, because sooner or later the police will find him and bring him to the house,' Ivanovich told the KGB official. 'But what I want to make clear is that neither I nor anyone in my family or any of my relatives take any responsibility for or share the political opinions of that bird'." And having told this tale, Joseph Luns concluded his luncheon with the EXPRESSO journalists. He rose and headed toward the door, casting a glance over the pastries and fruits, and "pinching" two appetizing cherries.

Outside, a conspicuous security escort, overshadowing a more discreet one within the restaurant, awaited him.

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NATO SECRETARY GENERAL MEDIATES IN U. S.-PORTUGUESE NEGOTIATIONS

Lisbon EXPRESSO in Portuguese 29 May 82 p 13

[Article by Miguel Almeida Fernandes]

[Text] NATO Secretary General Joseph Luns is prepared to take on the task of serving as an important mediator in relations between Portugal and the United States.

In fact, and although his visit to Portugal was planned at least 3 months ago, it is said to have contributed to his efforts to persuade the United States to grant major aid to Portugal.

It is within this context, moreover, that Joseph Luns has already decided to reactivate the "ad hoc" group on military aid to Portugal which has not met since 1974.

Luns himself, our sources say, acknowledges that he may serve as president of that group himself, such as to speed up the process of military aid to the Portuguese Armed Forces. It will be recalled that this commission was basically allowed to become inactive because of the instability prevailing in the armed forces in 1975 and 1976.

In addition to this, it is believed that Luns may also promote new talks with the U. S. authorities with a view to increasing the amounts of the loans to our countries.

Hard Line Maintained

Meanwhile, the Balsemao government continues to maintain a relatively hard position with regard to the United States, as the speeches delivered recently by Prime Minister Pinto Balsemao and the defense minister, Freitas do Amaral, reveal.

Gen Moura de Carvalho also had an opportunity to take up the executive branch position again during the visit paid by Luns to the general offices of the air force in Alverca this week.

Moura de Carvalho said that "Portugal does not want to be a launching pad for the allies nor for the British either in their war effort in the Falklands."

It is noteworthy that this clear reference to the Anglo-Argentine conflict was not, in the end, clarified, during the visit paid by the secretary general of NATO to Portugal.

It will be recalled that the morning newspaper O DIARIO bore a headline to the effect that the visit paid by Luns to Portugal was almost exclusively designed to exert pressure on the Portuguese authorities to establish supply bases for the British ships en route to the South Atlantic (in particular, in Porto Santo).

This report was categorically denied by Luns himself, however, in a statement to EXPRESSO. "My visit to Portugal was already arranged prior to the war between the British and the Argentines," he explained.

As to the hard line taken by the government, an identical view on the part of the Socialist Party (PS) and Gen Ramalho Eanes himself can be noted.

Strategy of Freitas do Amaral

According to government sources, the Portuguese strategy with regard to the United States is rather clear. In this connection, the Portuguese government, and specifically Goncalves Pereira and Freitas do Amaral, have only now decided to take radical positions with regard to the administration of President Reagan, because only now has the opportune moment arrived.

In this connection, the same sources stressed that "Portugal could only move to a hard-line position after having made it publicly clear that it was a good ally of the United States." This moreover is what has happened since Freitas do Amaral assumed his post as defense minister, since Portugal was one of the few countries (in addition to Great Britain) which always adopted a position in unconditional support of Reagan. "After the condemnation of the invasion of Afghanistan," a source at the Ministry of Defense explained to EXPRESSO, "the denunciation of the situation in Poland and unconditional support of the U. S. on the issue of East-West relations, Portugal is now in a position to demand something in exchange."

The fact is, however, that this attitude of alignment on the part of Portugal could only have contributed, in the opinion of the PS deputies, to leading the U. S. to adopt a more recalcitrant position on possible military aid to be granted to Portugal. It is notable, in this connection, that Portugal will be the European country receiving the least military aid next year, according to a proposal Congress has already approved. While aid to Spain will come to about 400 million dollars, aid to Portugal will not exceed 80 million.

Negotiations on Lajes in September

"Scandalous" would be our term for the state of the talks concerning the new agreement on the Lajes base.

From what we have learned from reliable sources, negotiations between the two countries are only scheduled although it is not known what the procedure will be in the talks held by Portugal and the United States. No agreement has been reached, although this has not been reported, however, that the Americans have always said it would be difficult to accept an increase in the base, which was naturally disputed by the Portuguese minister himself said recently in public that Portugal would not pay a higher sum for the surrender of Lajes, since the bases built represent a greater risk for Portugal.

It is, then, within this context of seemingly tense relations that a Portuguese official traveled to Portugal to take part in the Atlantic Conference. This visit may thus have allowed this individual to act as a mediator between the two parties, among other things. The ties he put forward to our national authorities were the three frigates. According to the secretary of Defense, there is every reason to believe that these vessels will be accepted by the Atlantic Alliance countries.

It remains to be seen if the effort made by Lunsford, who is aware of the Portuguese situation will be likely to succeed.

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COMMENTATOR SUPPORTS EXTENDED BUNDESWEHR SERVICE

DW011439 Frankfurt/Main FRANKFURTER ALLGEMEINE in German 1 Jul 82 p 1

[Editorial by Adelbert Weinstein: "Twenty-Four Months"]

[Text] Military systems are subject to changes. In the age of sophisticated weapons time demands its tribute. If soldiers are supposed to fully master their modern equipment, they must be thoroughly trained. Certain weapons must be operated by select military personnel. Weapons costing millions require responsible fighters and the longer they are in military uniform, the more insight they will have regarding the necessity of carefully handling the technical equipment entrusted to them.

For the conscript army of an industrial nation this means that weapons cannot be fully mastered in a short service time. Soldiers cannot exploit the technical quality of some refined weapons systems because they are not familiar with the weapons. The situation means not only that military service time must be extended but also that the call-up age of conscripts must be spread over several years. It might be advisable to entrust special weapons to 24-year-old rather than to 18-year-old soldiers. The percentage of those who will be subject to flexible conscription can be sorted out by computer and those needed to operate complicated weapons systems will learn in time whether [they] will be drafted in 2-3 years. Such theses may touch on a taboo in the Federal Republic, but in the GDR their implementation is the most natural thing in the world. The commander of Magdeburg Military Recruitment Headquarters said laconically that many conscripts--no young man can be exempted there from military service--must reckon with a delay in being drafted. The introduction of very complicated weapons systems calls for "more mature soldiers." This means in practice that East Germany is already reacting [word indistinct] to technical perfection in the military sphere.

What can be simply ordered "over there" must be convincingly explained in an open society, where extended service time as well as "flexible conscription" must meet with the approval of the citizens. The extension of military service in particular will lead to lively discussions in our country, but some effective arguments for extension can be made.

The Falklands war has shown what a well-trained technical unit can achieve on the battlefield. The British have a professional army and it would not be quite

fair to compare it with the Argentine conscript army. The factor of training time, however, played a prominent role in this island war. The Israelis can also be cited as an example. Their military achievement is not just the result of experience. Experience, however, grows only with time and all members of Israelis' units, including reservists, serve for more than 15 months.

The Bundeswehr training time, however, is just 15 months and we do not produce sufficient deterrence with these troops. As of the middle of this decade, we will have to fill the armed forces from age groups made up of fewer people. This will lead either to a reduction of operational units or to the establishment of skeleton crews, both of which are politically and strategically unthinkable. We have accepted firm NATO commitments. The potential enemy, however, has no reason to decrease his forces, so we have no choice but to extend service time.

The defense minister has announced that basic military service time will be extended from 15 to 18 months--3 additional months which are not enough. A relationship exists between costs and results time and mission, political opportunism and strategy and this relationship must be taken into account if we want to gain security. Reality calls for a service time of 24 months if we want to keep pace with the technical development weapons and if we want to counteract the impending personnel shortage. Moreover, the government must ensure that not just 58 percent of eligible conscripts are drafted, and will also not be able to afford the luxury of 10 percent of the conscripts performing civilian duties instead of the army.

The future of the Bundeswehr, however, will not depend only on the steadfastness of politicians and their parties. If the courage to be unpopular must be shown in Bonn and the Laender, military leaders of all ranks will also be involved. Longer service time will increase the pool of noncommissioned officers. The units will, therefore, have to attach special attention to the promotion and advancement of NCO's. Longer service time also means that duty rosters must be more creative. The service must be aimed at the military efficiency of a generation which is prepared to do purposeful work in a society of men, and whose preparedness to be disciplined must be aimed at technology and not on appearance. Twenty-four months of military service will be also a commitment for the army.

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